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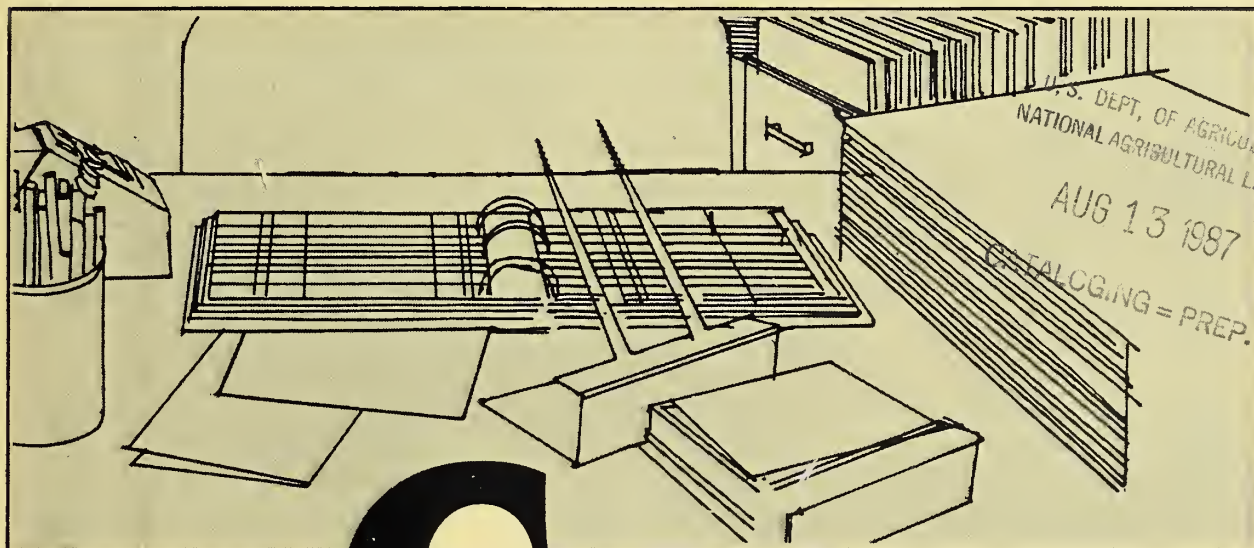


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VARIABLE COST - FIXED FEE



Contract Purchasing

**A MANUAL FOR
SCHOOL FOOD SERVICE SUPERVISORS**

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A TECHNICAL ASSISTANCE PUBLICATION
OF THE U.S. DEPARTMENT OF AGRICULTURE,
FOOD AND NUTRITION SERVICE, FOOD
DISTRIBUTION DIVISION

1985

PREFACE

The information presented in this Manual was developed by the Food Industry Services Group under contract with the United States Department of Agriculture, Food and Nutrition Service, Food Distribution Division. The information was developed in response to numerous requests from local school districts and state food service directors.

This manuscript is one of a series of four Manuals prepared for the USDA - FNS as a part of a Technical Assistance Program to help school food service supervisors throughout the United States. The Technical Assistance Manual Series is identified as follows:

- Volume I Catalog of Specifications
- Volume II Contract Purchasing - Variable Cost
- Volume III Food Fact Sheets
- Volume IV Directory of Information Sources

Although the research funds for the compilation of the Manuals were provided by the U.S. Department of Agriculture, printing and reproduction costs are to be assumed by the end-users. Copies of the Manuals may be obtained directly from the contractor, whose address is shown in the FOREWORD; or it may be possible to obtain copies from your state Child Nutrition or Regional FNS Offices.

These Manuals are designed to represent the latest sources of information which we hope will strengthen your food service management endeavors.

Joseph E. Shepherd, Director
FOOD DISTRIBUTION DIVISION
Food & Nutrition Service
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Telephone: (703) 756-3682

FOREWORD

This manuscript represents one of four Manuals produced by the Food Industry Services Group for the Food Distribution Division of FNS. These publications are designed to provide technical assistance to food service supervisors for improving the procurement and handling of food products and other kitchen supplies.

Copies of the Manuals may be obtained at modest charges from the contractor. The assessed charges include costs of printing, handling and mailing at book rates, promotion and advertising. Revenue from the sale of the Manuals may be used later to revise and enlarge the scope of the manuscripts. If you wish to find out about charges, place orders, or ask questions concerning the Manuals, please contact:

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This Manual (Volume II) is directed toward school food service supervisors at state and local levels who wish to implement improved methods of Contract Purchasing. The methods and contract documents presented herein are based on innovative practices now used in the private sector by multiple unit organizations. Moreover, the contract purchasing methods described in this Manual have been tried and tested with favorable results in a few dozen pilot school districts. The contents of this Manual can be of benefit to suppliers (packers and distributors) as well as buyers.

James A. Mixon and Associates
FNS Contractor

CONTRACT PURCHASING
FIRST EDITION 1985
First Printing, August 1985

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Part 1

- INTRODUCTION

INTRODUCTION

1

CONTRACT PURCHASING can reduce food cost through the consolidation of deliveries, directly to food preparation sites, thereby achieving economies of scale. This method of procurement can also simplify purchasing procedures. See page 4.

CONTRACT PURCHASING is a process whereby a buyer signs an agreement with a supplier to provide one or more groups of foods and other kitchen supplies for a set period of time, usually one year. There are three types of purchasing contracts in common use today, particularly in the private sector.¹ These are as follows:

- Reimbursable cost plus a fixed fee or percentage of cost for services;
- Formula pricing; and
- Fee for service.

Other types of purchasing arrangements are considered as simple "purchases" whereby a food service manager makes a single purchase of one or more items either for a lump sum delivery to a school-operated warehouse or intermittent deliveries (usually weekly) to food preparation sites.

This Manual is concerned only with two types of contract purchasing:

- Reimbursable cost plus a fixed fee (or percentage of cost) for service.
- Formula pricing.

These are the two methods most applicable to food service managers who make purchases for weekly delivery to food preparation sites. These methods can be used favorably by school districts (or institutions) of any size (small, medium or large).

Reimbursable Costs

This method of purchasing is most suitable for grocery, meat items and produce, which are purchased from local wholesale distributors, whose function is to buy from manufacturers and packers in economical quantities (carload lots) and sell to users in smaller lots.

¹ Contract purchasing is widely used by national food service chains with multiple outlets and is considered to be the purchasing method of the future for schools and other institutions .

The foregoing type of reimbursable cost contract is referred to as a "Fixed Cost Purchasing Contract."

This Manual is concerned only with the Variable Cost method of contract purchasing, since this method is most adaptable to the large number of small, medium and large size school districts in the country which have insufficient volume to purchase lump sum directly from packers in economical (trailerload or other) quantities for lump sum shipments. FNS proposes at a later date to prepare another Manual dealing specifically with fixed cost purchasing contracts.

In variable cost contract purchasing, a school district agrees to purchase all supplies in a group from a specific distributor for the duration of the contract (usually one year). The buyer agrees to reimburse the supplier for actual cost plus a fixed fee (or percentage) for service. The fee, which is fixed for the duration of the contract, is based on a wholesale unit (case) and may vary from item to item. The selection of a supplier is based on a bid process with the contract essentially going to the supplier with the lowest fees for service.

Fixed fees rather than percentage arrangements are recommended for school districts because the fixed fee is more stable. In percentage methods, the fee for service goes up and down with the cost of the item.

However, there are some circumstances whereby a percentage arrangement may be more appropriate. For example, a school district might want to purchase off of an existing state contract which is based on percentage. An in-place contract supplier might agree to serve a school district using the same percentage or some suitable modification thereof.

Some school district officials may be concerned about the legality of contract purchasing. Since Federal funds are used in school feeding, school districts are required to comply with Federal guidelines concerning purchasing arrangements. Whereas, guidelines of the Federal Office of Management and Budget (OMB) state that cost plus percentage of cost is not permitted, this has been clarified to apply only to suppliers who control the cost of products they sell, whereby there could be an incentive to jack up the costs to increase the dollar amount of the fee.

OMB states, however, that this restriction does not apply when either the fee is fixed or purchases are made on a percentage of cost from third party suppliers i.e., wholesale distributors who purchase from packers, items which are common to the marketplace and who sell these items to numerous outlets. Under these circumstances, there is no incentive for a supplier (distributor) to buy at a higher price. In fact, the opposite is true. See Appendix A for correspondence from OMB regarding this matter.

Formula Pricing

A formula pricing method of purchasing is most applicable for purchasing milk, ice cream and bread for delivery to food preparation sites on an annual contract. Although other items such as ground beef and eggs may be purchased from packers on the basis of formula pricing, these items are normally procured on a reimbursable cost contract.

This Manual includes formula pricing procedures and contract documents for purchasing milk, ice cream and bread. Formula price purchasing of ground beef, eggs and other products is normally reserved for (large) school districts which purchase all or most items directly from packers. However, a description of formula pricing for ground beef (and eggs) is contained in Part 4 of this Manual to accommodate buyers who may want to include a local meat packer or egg producer in the bidding process.

In any type of formula price contracting, prices paid by packers for input product must be governed by a third party pricing structure. Prices paid for raw milk products, for example, by milk and ice cream dealers are governed by the price of raw milk which in turn is determined by USDA or state Market Milk Orders. Prices paid for bread are determined by the price of flour and the price of ground beef is determined by the price of lean, trim meat and fat meat.

Since bread is made in accord with formulas containing a fixed amount of flour, prices can be keyed to variations in the cost of flour; whereas all other manufacturing and delivery costs remain constant for the duration of the contract.

Ground beef prices can be based on a National Price Sheet which provides prices on lean cuts and trimmings. The selling prices can be based on a set percentage over a combination of lean and trim prices as listed on a particular day of the week. Purchasing ground beef in this fashion would only apply to contracts with packers. When ground beef is purchased through distributors, as most school district supplies are, purchases would be made simply on the basis of reimbursable cost plus a fixed fee.

Eggs can be purchased from packers off of a National Daily Price Sheet at so many cents per dozen under or over "the sheet" price.

Benefits

There are several specific benefits to Contract Purchasing which relate principally to simplicity and economics, as follows:

- The contract is bid once a year rather than more frequently as with line item purchasing.
- Only one truck arrives per week (per item group) which reduces the cost of receiving and processing and paying invoices.
- The potential of reducing food costs is significant, depending on purchasing methods previously used.

Contract purchasing is a viable option to traditional line item purchasing due to economies of scale. The unit cost of a distributor dropping 50 cases at a food preparation site is a lot less than dropping 15 cases. This type of purchasing is a viable option to lump sum purchasing as practiced by school districts with self-operated warehouses because deliveries can be made to food preparation sites by suppliers more economically than items can be purchased lump sum for delivery to a central warehouse and subsequently delivered to schools on a separate fleet of trucks.

The benefits cited above and the procedures and bid documents used herein result from numerous case studies undertaken in several states beginning in 1982. Numerous school food service supervisors at the district and state levels assisted in formulating, structuring and evaluating the results of the case studies.

Other Methods of Purchasing

Four other methods of bid purchasing are currently in common use throughout the food service sector. Whereas this Manual does not address these methods specifically, it does seem appropriate to describe how they function. These methods may be described as:

- (a) Line Item Purchasing
- (b) Purchasing by Item Groups
- (c) Lump Sum Purchasing
- (d) Fee for Service.

Line Item Purchasing. This method is in common use throughout the food service sector, although it is not practiced widely by "national accounts." In this method of purchasing, a buyer will request bids on a line by line basis, at a fixed price for deliveries to be made over a relatively short period of time, i.e., one, two, or three months, after which bids are solicited again.¹

A contractor is awarded the items on which he is low bidder. However, most bids of this type have an escape clause whereby a contractor can withdraw his bid if he is awarded only a few items or quantities too small to make it economical to make deliveries.

The length of time of a bid, i.e., one, two or three months, might depend on the volatility of the prices. For example, meat items might be bid monthly and green beans every three months. Some food service managers might even bid low price volatility items for six months. The rule of thumb, however, is that the longer the bid period, the higher the risk to the supplier and the more he is inclined to raise his bid prices to cover the risk factor.

Distributors usually work on inventory turns of two weeks for high value, volatile price items and four weeks for items with lower values and less volatile prices. Any purchases made by distributors on behalf of buyers at a fixed price, for delivery beyond these inventory periods, are traditionally assessed built-in risk charges.

Beyond the risk consideration, line item purchasing also increases the labor hours required to prepare and issue bids, award contracts, pay invoices, receive and accept deliveries, and stock holding rooms.

Purchasing by Item Groups. Some food service managers purchase supplies in groups at fixed prices. Traditionally milk, ice cream and bread have been purchased by school food service managers at fixed prices on annual contracts. Managers may also purchase other item groups, i.e., canned or frozen fruits and vegetables, on shorter time spans.

¹

Often referred to in government purchasing as "Formal Bid Against Specifications (as advertised)."

When products are purchased in this manner, bid awards are made on the basis of bottom line per group. To obtain a bottom line price, the supplier must extend quantity and unit prices for each line. The line totals in the extended column are then added to arrive at a total price for the group. The bidder with the lowest bottom line price receives the award.

As with line item bidding, group purchasing contracts are awarded for short durations (except for milk, ice cream and bread), i.e., one, two or three months. Although the same price risk factor prevails as for line item purchasing, deliveries are consolidated and the labor costs for receiving and checking orders are minimized. However, administrative costs for preparing and issuing bids and awarding contracts remain relatively high.

Comment: This Manual suggests that reimbursable costs plus a fixed fee and formula price purchasing have advantages over line item and group purchasing. The reason for this is that lower price risks are encountered by suppliers and less labor hours are required by buyers in administering contracts. Accordingly, one would expect benefits in cost and administration to accrue to food service operators using the contract purchasing procedures described herein.

Lump Sum Purchasing. This type of purchasing is practiced by food service managers with school-operated warehouses. Items are purchased on a line item bid basis for lump sum delivery. Bids stipulate the purchase of specific amounts of each item at fixed prices for delivery either all at once or in two or three increments. Deliveries are often made to school-operated warehouses on exchangeable pallets.

Comment: The foregoing method of purchasing, i.e., lump sum, is based on the buyer (usually large school districts) having sufficient volume to be able to buy directly from packers in economical shipping quantities. Because of the existing structure of the supply side sector, it is questionable whether the benefits which accrue from this method of purchasing offset the cost of service fees, contract administration costs, and/or operating school district warehouses.

Often it is difficult for school districts to solicit bids economically directly from packers because of constraints imposed by order size and territorial franchises granted by packers to commercial distributors.

However, in the final analysis, the cost-benefit ratio may depend on the size of the school district. For example, the purchasing power of a very large school district may be greater than some commercial distributors in the same market.

One of the major problems of making one-time purchases (lump sum) directly from packers is the quality assurance consideration. To be assured that a buyer is getting what he pays for often dictates that he require USDA Certificates of Grade or mandate other rigid acceptance procedures. The necessity for such procedures often increase purchasing and product costs.

Studies conducted for small and moderate size school districts show conclusively that line item purchasing for lump sum delivery to school-operated warehouses, and subsequently for delivery to schools, yields less cost benefits than contract purchasing as explained in this Manual.

FNS proposes to prepare, at a later date, a Manual dealing specifically with lump sum purchasing for shipment to school-operated warehouses and subsequent delivery to food preparation sites. For a further discussion of school-operated warehouses and the supply side climate, see Part 4 of this Manual.

Fee for Services This type of purchasing involves a user buying the product and having it shipped to a distributor's warehouse for subsequent distribution, as ordered, to food preparation sites. Whereas this system is not in common practice in food service, it is used by some multiple unit companies in the private sector. Under this arrangement a contractor will perform the distribution services for a fixed fee per unit. The user pays the packer directly for the product.

Part 2
- DOCUMENTS
AND
PROCEDURES

DOCUMENTS AND PROCEDURES

2

To establish an effective plan of Contract Purchasing (reimbursable cost and formula pricing) strict procedures, exacting bid documents and precise specifications are required so as to maintain the integrity of the bids, which in turn increases participation by distributors, thus maximizing competition.

ITEM GROUPS

Items are best grouped according to sources of supply. Wholesale distributors who carry full lines of supplies for food service can provide all items which may be lumped under a category labeled, "Groceries and Meats."

Produce, milk, ice cream and fresh bakery products must be placed in separate groups to accommodate firms who specialize in each of these product lines.

Groceries and Meats

Meats and groceries can be further divided into generic groups to accommodate school districts who may choose to further split bids so as to maximize competition. These groups are as follows. (See USDA's publication - CATALOG OF SPECIFICATIONS).

GROUP A - FROZEN AND CHILLED MEAT ITEMS (which also includes cheese, eggs and margarine). This group consists of about 80 line items which represent about 40 percent of the total value of meat and grocery items.*

GROUP B - FROZEN FRUITS, JUICES, VEGETABLES AND BAKERY ITEMS. This group consists of about 60 line items which represent about 20 percent of the total value of meat and grocery items. These are mainly items which are either complementary or supplementary to main course foods.

GROUP C - CANNED AND DRIED FRUITS, JUICES, VEGETABLES AND MEAT ITEMS. This group consists of about 80 line items which represent about 25 percent of the total value of meat and grocery items. These are primarily items which are either complementary or supplementary to main course foods. A few may even be considered main course items.

* For a typical school district.

GROUP D - GENERAL SUPPORT GROCERY ITEMS. This group consists of about 85 line items which represent about 10 percent of the total value of meat and grocery items. These are mainly items used in support of food preparation or as complementary or supplementary menu items, as follows:

- (1) Cereals, grains, oils, sugars and other similar items.
- (2) Dressings, pickles and sauces.
- (3) Portion pack items.
- (4) Spices and seasonings.

GROUP E - NON-FOOD EXPENDABLE SUPPLIES. This group consists of about 50 line items which represent about 5 percent of the total value of meat and grocery items. These are mainly paper and related supplies, detergents and accessories.

Produce, Milk, Ice Cream, Bakery Products

These items are represented by Groups F-J.* They are bid separately because:

- (a) Products are purchased from separate sources.
- (b) Different types of contracts and bid documents required.

DOCUMENTS

This Manual includes specific documents which can be used "as is" by filling in the information required. These documents are divided into several sections as follows:

- Section I - Invitations for Bids, which vary with each product group.
- Section II - General Bid and Contract Requirements, which is the same for each product group.

* There is no Group I.

- Section III - Special Bid and Contract Requirements, which vary with each product group.
- Section IV - Product Requirements, which vary with each product group.¹
- Section V - List of School District Delivery Points, which must be executed by the school district and will vary from one school district to another.
- Section VI - List of Prequalified Bidders, which must be executed by each school district and may vary from one school district to another.

Although Sections I through VI are sent to suppliers, bidders are required to return only Section I, which consists of two pages. The second sheet of Section I shows the "Bottom Line" amount of the bid for the group of items included in the bid, thus: (See sample document Contract Section I)

Our Bottom Line bid for product is as follows:

Product Groups included in Section IV-- Amount \$ 1,738,257.³⁷

The bottom line price is derived from Section IV, the Product Bid List, thusly:

No.	Identification	Unit	Unit Cost	Fixed Fee	Total Cost & Fee	Units Required	Total Item Cost
1	2	3	4	5	6	7	8
			\$	\$	\$	No.	\$
All18A BEEF, GROUND, PATTIES							
	(F) IMPS #1136, 80:20						
	lean to fat, IQF, 80/2						
	oz. box						
		0.92	0.072		.992	80,000	79,360. ²⁰
	Approved Brands:						
	Unit: Lb.						

ETC. to the end of Product List

Col. 4 = Verifiable cost of product from last invoice.

Col. 7 = Estimated quantities

TOTAL Column 8

All Items on the List \$1,738,257.³⁷

¹Product lists are presented in a separate supplement: CATALOG OF SPECIFICATIONS.

PREQUALIFIED BIDDERS

Since the contract purchasing concept is based on cost prices, purchases must be made from bona fide wholesalers who have sufficient volume to purchase in car- or trailer-load lots or similar economical buying quantities. Moreover, suppliers must be able to deliver promptly all bid items in a precise and timely manner. It is therefore essential for the buyer to develop a prequalified bid list which includes only those firms capable of purchasing competitively and maintaining adequate inventories. It is important, however, to reach out even into peripheral geographical areas so as to bring as many wholesalers into the bidding process as practical.

PROCEDURES

For best results, food service supervisors should follow a prescribed critical path, as follows, in soliciting and awarding bids when purchasing and awarding contracts.

Time Frame

This Manual recommends that annual Purchasing Contracts commence on or about November 1 and terminate on or about October 31 of each year. There are several reasons for suggesting this schedule:

- (a) Price fluctuations of seasonally produced items, i.e., frozen and canned fruits and vegetables, are more stable in the fall than summer. Packing seasons for many items extend from mid-summer to mid-fall; thus supplies and prices in June or July are often very unpredictable.
- (b) Donated foods supplied by the USDA are more predictable in late summer or early fall. Moreover, contracts for distributing donated foods are in place with commercial distributors, thereby improving the climate for competition.
- (c) Distributors often experience peaks in their commercial volume during the summer and therefore may be more anxious to acquire school business in the fall after the summer rush is ended.

- (d) Some school food service supervisors do not work on school district assignments full time during the summer.

The critical path data shown in Figure 1 may have to be modified to accommodate advertising for bids when required by a school board. Since purchasing contracts are based on prequalifying suppliers to protect the integrity of the bids, the advertising of bids is actually unnecessary.

When starting-up annual purchasing contracts based on November 1-October 31 time frames, an interim purchasing contract might be issued to cover the period from school start-up to November 1. Purchasing contracts for milk, ice cream and fresh bakery products can follow the same time frame for groceries and meats. Bids for fresh produce should be issued after a contractor for meats and groceries has been selected. This procedure increases competition by encouraging the distributor with the groceries and meats contract to also bid fresh produce, if he has a produce department.

Make-Ready

Food service operators may start early in the spring to make ready for finalizing a purchasing contract in the fall, as follows:

- Determine menu items required.
- Test new items, preferably while school is open, so that tests can be conducted either by student panels or under cafeteria conditions. See Example 1.
- Prepare contract documents as outlined later herein.
- Determine item bid groups based on maximizing competition and minimizing number of deliveries per week.
- Prepare list of bidders capable of purchasing (or producing) products at high volume levels to realize economies of scale.

Figure 1 - CRITICAL PATH FOR THE DEVELOPMENT OF PURCHASING CONTRACTS¹

<u>Start Dates</u>		<u>Action</u>
April 1	—	Make-Ready Determine Menu Items Test New Items Prepare Contract Documents Determine Item Bid Groups Prepare List of Bidders
August 20	—	Issue Draft of Bid Documents Solicit Comments Late Product Testing Revise as Required
September 5	—	Issue Final Bid Document Notice of Pre-Bid Conference
September 15	—	Pre-Bid Conference Final Product Testing
October 5	—	Bid Opening Review Bids Award Bid Issue Bid for Produce
October 15	—	Post-Bid Conference
October 20	—	Award of Contract
November 1	—	Begin Delivery

¹This critical path applies primarily to the purchasing of meats and groceries; although the time frame is applicable for purchasing produce, milk products, ice cream and bakery products.

YOUR STATIONERY

EXAMPLE 1

WESTSIDE SCHOOL DISTRICT
200 Backlick Road
Westside, YOUR STATE 29104

Telephone:
319-727-7071

April 1, (Year)

To: All Distributors on Bid List for Meats and Groceries

From: Sherry Conrad
Food Service Supervisor

Re: Testing of New Items for the Forthcoming School Year¹

Please be advised that from now until the end of May we will be testing new items for the next school year. We welcome any suggestions you may have. Please write or call our office.

¹ The best policy is for supervisors to purchase samples for testing to avoid the appearance (later) of gratitude or favoritism.

Issue Draft of Bid Documents¹

A draft of the Bid Document should be issued with a letter of transmittal stating the date of final issue of the bid documents and that any items which are to be submitted for "late" testing must be forthcoming prior to final issue. The letter of transmittal might also solicit comments and questions on the bid document, including product requirements and descriptions. See Example 2.

Issue Final Bid Documents

The final bid document may be accompanied by a letter of transmittal which designates the day, time and place of a pre-bid conference. See Example 3. At least ten days should be allowed for review of documents by suppliers.

Pre-Bid Conference

Channels of communication are improved when pre-bid conferences are scheduled about 10 days after a bid is issued, assuming a 3 or 4 week time frame between issue and opening. The 10 days provide ample time for the bidders to study a bid document. Pre-bid conferences should be scheduled on a one-on-one basis with individual suppliers, allowing about two hours for each conference.

The purpose of a conference is to ensure that each bidder understands the terms of the bid, particularly as related to item identifications, definition of cost prices, and price reviews and audits. After a bid conference, it may be necessary for a buyer to modify or clarify a bid document by issuing an addendum to a bid document. If the time frame is short, the buyer might call each bidder. Changes in items are likely to occur only when there are extenuating circumstances. For example, a buyer might specify "Cattlemen's Barbeque Sauce Only," only to learn at the bid conference that several bidders are unable to buy and stock the item. The alternatives are for the buyer either to delete the item for the purposes of the bid or authorize another brand. Another example is that a bidder might want to know if he can bid "X" brand of a particular item. If the buyer knows that this is a reliable brand, a blanket approval might be issued. See Example 4.

Pre-bid conferences not only can be used for clarifying questions concerning bid documents, but they may also serve as forums for learning about alternate items and encouraging distributors to participate in bids. The more bidders, the keener the competition.

¹ This procedure is necessary only in the start-up year for contract purchasing.

YOUR STATIONERY

EXAMPLE 2

WESTSIDE SCHOOL DISTRICT
200 Backlick Road
Westside, YOUR STATE 29104

Telephone:
319-727-7071

August 20, (Year)

To: All Distributors on Bid List for Meats and Groceries
From: Sherry Conrad
Food Service Supervisor
Re: Draft of Bid Document

We submit attached a draft of our bid document for the forthcoming school year and solicit your comments and suggestions. Any items for "late" testing must be submitted at once. Final bid documents will be issued on or about September 5, .

YOUR STATIONERY

EXAMPLE 3

WESTWIDE SCHOOL DISTRICT
200 Backlick Road
Westside, YOUR STATE 29104

Telephone:
319-727-7071

September 5, (Year)

Associated Foods, Inc.
Post Office Box 741
Bancroft, YOUR STATE 29402

Attention: Tom Milton

Gentlemen:

Attached is a copy of a Final Bid Document for food service supplies.

You are invited to attend a one-on-one pre-bid conference scheduled in our office at 2 PM on September 15.¹ Please confirm the time and date by telephone by September 11.

We appreciate your interest and cooperation.

Very truly yours,

Sherry Conrad
Food Service Supervisor

¹A different time would be set for each potential supplier (about 2-2½ hours apart).

YOUR STATIONERY

EXAMPLE 4

WESTSIDE SCHOOL DISTRICT
200 Backlick Road
Westside, YOUR STATE 29104

Telephone:
319-727-7071

September 20, (Year)

To: All Distributors on Bid List for Meats and Groceries
From: Sherry Conrad
Food Service Supervisor
Re: Addendum No. 1 to Bid Issued September 5,

Please note the following changes in the above-referenced bid document.

Item A078: Beef steaks, cubed is changed from 3 ounce to 3.4 ounce.

Group B and C Items: Stillwater brand is acceptable as Packer Grade A in all southern vegetables.

Item D084: Barbeque Sauce, Hickory Smoked is DELETED for bid purposes only, as a result of difficulties in product identification.

Bid Opening

Several weeks should be allowed between a bid issue and the opening date. Allow two weeks at a minimum. Three or four weeks, however, is more desirable. Bid openings should be scheduled for early afternoon to allow adequate time for out-of-town bidders to attend bid openings and return home.

Bidders are required to submit only Section I, Invitation for Bids, properly executed and showing the bottom line bid for the items required. Only the bottom line bids are read (publicly) at the bid opening. The low bidder must then submit Section IV, line item prices, for review. Line item prices for unsuccessful bidders are not subject to public review because the documents show the supplier's cost prices which are protected under the Federal "Right to Privacy Act." The successful bidders cost prices are not publicly subject to review either. However, his total prices (cost prices plus fixed fees) may be subject to public review (in accord with "The Freedom of Information Act") but only after his bid has been formally accepted and upon successful petition to school district authorities.

Review and Award of Bids

Food service supervisors should review the low bid before announcing the successful bidder. The contract document (Section II) allows ten days for this review, although it might be completed in a much shorter period. Bids should be reviewed for the following:

- (1) Since the bids are solicited on an "all or nothing" basis, any bid which does not include bids for all items should be investigated. A buyer should call the low bidder and ascertain whether the omission was accidental or intentional. If by accident, the buyer should be permitted to provide a unit price by furnishing a recent packer's invoice. Any bid which has items omitted intentionally should be rejected to protect the integrity of the bid system. In such a case, the bid document should be returned to the bidder with a letter of transmittal as illustrated in Example 5.
- (2) Buyers should check product identifications on a low bid with respect to brands quoting.¹ If a discrepancy exists, the food service supervisor should call the bidder for the purpose of resolving the issue. Most discrepancies in "brands quoting" are due to oversights on the part of a bidder. If by chance the

¹ Brand names and/or codes must be written on the contract document (Section IV - Produce Requirements) by the bidder to identify products to be supplied.

YOUR STATIONERY

EXAMPLE 5

WESTSIDE SCHOOL DISTRICT
200 Backlick Road
Westside, YOUR STATE 29104

Telephone:
319-727-7071

Tri-Tex Foods
727 Adelai Street
Birdsong, YOUR STATE

October 8, (Year)

Attention: Randy McKutcheon

Gentlemen:

Your offer to our Bid Invitation dated June 25, (Year) is being returned
for the reason(s) indicated below:

- ☐ Arrived after bid opening (and is therefore unopened).
- ☐ Did not include bid prices for all items.
- ☐ The name of your firm was previously removed from our
Prequalified Bid List (for cause) until further notice.
- ☐ Other _____

We appreciate your interest and trust that you can help us again soon.

Very truly yours,

Sherry Conrad
Food Service Supervisor

issue cannot be resolved to the satisfaction of the food service supervisor, the bid should be rejected in the same manner as in item (1) to protect the integrity of the bid system.

- (3) Food service supervisors should review bids with respect to the units and sizes quoted. Sometimes a distributor might want to bid a different pack size than the one listed. This is acceptable if the pack size is reasonably close. However, the bidder must convert the quantities to conform with the quantities required on the product list sheet; i.e., convert 6/#10 to 4/1 gallons.
- (4) Food service supervisors should check unit prices of all items on bid documents to see if they are reasonably correct. It is not necessary to set up an analysis table. A check of prices is made for the purpose of determining if the bidder has made gross (usually typographical) errors. For example, the price might show \$3 when it should read \$13 or \$30, or vice versa. Errors of this type should be called to the attention of the bidder and corrections made with his approval. If cost prices seem to be out of line otherwise, the buyer can ask to see the most recent packer's invoice on which the prices are based.
- (5) Buyers should review and check the extensions on all line items. In the case of a discrepancy, unit prices should prevail. Any changes must be called to the attention of the bidder. Totals of extensions should be checked as well.

It is stated in the foregoing paragraphs that discrepancies should be resolved with bidders; however, this is necessary only when the changes may influence the outcome of the bid. If it is obvious that a change will not influence the outcome, it is not necessary to raise the issue.

Once bids are reviewed and a final contractor selected, the contractor should be notified and a post-bid meeting arranged. See Example 6.

Y O U R S T A T I O N E R Y

EXAMPLE 6

WESTSIDE SCHOOL DISTRICT
200 Backlick Road
Westside, YOUR STATE 29104

Telephone:
319-727-7071

October 9, (Year)

Associated Foods, Inc.
Post Office Box 741
Bancroft, YOUR STATE 29402

Attention: Tom Milton

Gentlemen:

This is to inform you that you have been awarded the contract for our food supplies in accord with our bid issue of September 5, 1985. This contract expires on October 31, 1986, unless otherwise extended. The bottom line amount of your bid is \$1,738,257.38. We have scheduled a post-bid conference at the above address for 2 PM, October 15, 1985, in accord with the attached Check List. Please confirm by telephone.

We appreciate your interest in our requirements and wish to express our appreciation also to other suppliers who submitted bids.

Very truly yours,

Sherry Conrad
Food Service Supervisor

cc: All bidders

Post-Bid Conference

A post-bid conference with a contract distributor is necessary to clear up any unanswered questions. This meeting can also be used to define certain communication procedures. The contractor is required to designate a specific sales account representative to handle all matters relating to product prices, product qualities, additional items, and the introduction of new items. An operations supervisor should be named as liaison with the food service supervisor to deal with matters relating to delivery and container conditions. Someone in the distributor's bookkeeping or accounts receivable department should be named to handle matters relating to charges, credits and payments. The supervisor should be provided with names and telephone numbers of the contractor's personnel to ensure good communications. See Example 7 for Check List.

The buyer should also use the post-bid conference to clarify "Bid Allowances." Usually there are price reductions for the pricing and delivery of initial supplies. It is important for the supplier to identify each bid allowance and the time or volume span of the cost reduction. The supplier should also identify his plans for soliciting and passing along market segment prices or discounts as allowed by some manufacturers.¹ Some manufacturers may have a separate and lower price, or offer discounts to schools on an intermediate or continuing basis.

Produce Bids

Produce bids should be issued after the contract(s) for meats and groceries has been awarded. The reason for this is that the contracting distributor who is awarded the meat and groceries contract may also handle produce, in which case the distributor should be very competitive in bidding on a produce contract since the distributor's trucks are "going there anyhow." Moreover, the competition, knowing that the meat and groceries contractor is in a favorable position, should also be more competitive on produce bids.

1

Also referred to as Market Target Allowances. Some packers will provide intermittent or continuing discounts to schools, institutions and other market segments, either as a good will or promotion gesture.

EXAMPLE 7

CHECK LIST FOR POST-BID CONFERENCE WITH CONTRACT SUPPLIERS

The following check list should be helpful to food-service supervisors in conducting post-bid conferences with contract suppliers.

1. Food Service Supervisor Provides Contractor with:

- (a) _____ List of cafeteria managers and/or others designated to sign delivery tickets.
- (b) _____ Name of assistant who can take action in supervisor's absence.
- (c) _____ Home telephone number of supervisor and assistant(s) to use in emergency during off-hours.
- (d) _____ Name and telephone number of person in Accounting Department to discuss matters relating to invoices, credits and payments.
- (e) _____ Information relating to payment schedules and accounting procedures.

2. Contract Supplier Provides Food Service Supervisor with:

- (a) _____ Delivery schedule - days and hours (2-hour time frame).
- (b) _____ Name and telephone number of account representative to discuss matters relating to product variations and information.
- (c) _____ Name and telephone number of "operations representative" to discuss matters relating to delivery.
- (d) _____ Name and telephone number of person in Accounting Department to discuss matters relating to invoices, credits and payments.
- (e) _____ Name and telephone number of company official to discuss policy matters.
- (f) _____ Information regarding billing dates and accounting procedures.

EXAMPLE 7 (Continued)

- (g) _____ Standardized computer-generated order forms with numbers for "Bill To" (school districts) and "Deliver To" (school delivery points).
- (h) _____ Lead time required for items which are stocked only for a school district.
- (i) _____ Under reimbursable cost contracts, day of the month that prices will be updated.

3. Jointly Discuss Matters Relating to:

- (a) _____ Receiving and checking orders at food service kitchens.
- (b) _____ Correction of shortages, overages and outages.
- (c) _____ Substitution procedures.
- (d) _____ Procedures for introducing and testing new items.
- (e) _____ Methods and times of transmitting orders.
- (f) _____ Adequacy of order form provided by distributor.
- (g) _____ Submitting separate order for separate delivery points or consolidated order forms.
- (h) _____ Delivery equipment and methods of unloading -- same or different drivers.
- (i) _____ Method of handling add-on items, including lead time required.
- (j) _____ Importance of avoiding "out-of-stock" situations or unacceptable product substitutions.
- (k) _____ Procedures for returning items for credit.
- (l) _____ Procedures for reporting spoilage.
- (m) _____ Terms under which contract might be extended, amended, or cancelled.
- (n) _____ Method of seeking and passing along packer allowances or discounts.

EXCLUSIVITY¹

A school district is obligated to purchase from the contract distributor all items in the groups as delineated herein. This obligates the buyer to purchase from the contract distributor any item not specifically excluded, although they are not included on the product lists. To prohibit the opportunities for excessive charges by a contractor for items not previously priced, the amounts charged are based on fixed fees over costs as shown in Section III of the contract document. The contract distributor is obligated to supply all items on a product list (Section IV) as well as any other item which may fall within the scope of the item groups, as listed herein.

¹ Mutually exclusive arrangements.

**CONTRACT DOCUMENTS
FOR MEATS AND GROCERIES
TYPE 1**

PART 2 (CONTINUED)

DOCUMENTS FOR ANNUAL CONTRACT BASED ON
REIMBURSABLE COST PLUS FIXED FEE

~~Some~~ MOST OF
THESE DOCUMENTS CAN BE USED
FOR BIDDING PURPOSES WITH
ONLY SLIGHT MODIFICATIONS.

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WESTSIDE SCHOOL DISTRICT
Food Service Office
200 Blacklick Road
Westside, YOUR STATE 29501

TYPE 1 CONTRACT
FOR
MEATS & GROCERIES

CONTRACT SECTION I - INVITATION FOR BIDS

To: Associated Foods
P.O. Box 741
Bancroft, YOUR STATE 29402

Date Issued:
September 5, 1985

Attention: Tom Milton

Telephone: 319-229-6800

Item: Commercially Purchased Foods as indicated in Section IV.

Type of Contract: Type 1 - REIMBURSABLE COST PLUS FIXED FEE FOR SERVICES,
LUMP SUM BOTTOM LINE (ANNUAL)

Period: Effective November 1, 1985 through October 31, 1986.

Bid Opening: October 5, 1984, 1:00 p.m. Public Opening, Westside
School District Food Service Office, 200 Blacklick
Road, Westside, YOUR STATE 29501

Mail Bids To: Hand deliver Sheets 1 and 2 only to the above
address or mail to P.O. Box 220, Westside, YOUR STATE 29051

ENVELOPE SHOULD BE PLAINLY MARKED "BID"
With date and time of opening.

Conditions: In strict accord with Sections I through VI.

Contracts: If you have any questions concerning this invitation
for bid, please phone Sherry Conrad, 310-727-7071.

NOTE: *Italics* to be filled in by school district.

CONTRACT SECTION I (Continued)

Date Bid Issued: *September 5, 1985*

BIDDING FIRM SUBMIT THE FOLLOWING:

Date Submitted:

Name of Firm Bidding: *Associated Trade*

September 20, 1985

Signing Officer: *James J. Brown, Vice President*

Telephone: *319-229-6800*

Our Bottom Line bid for product is as follows:

Product Groups included in Section IV.

Amount \$*1,738,257.³⁷*

PLEASE SIGN HERE

James J. Brown, Vice President
Signature and Title
(Authorized Company Official)

September 20, 1985 *319-229-6800*
Date Telephone

Note: Please fill this sheet out in INK. If corrections are needed, cross out and initial.

DO NOT ERASE

NOTE: *Italics* to be filled in by school district.
Handwritten to be filled in by bidder.

Sheet 2

CONTRACT SECTION II - GENERAL BID AND CONTRACT REQUIREMENTS¹

A. INSTRUCTIONS

1. DELIVERY OF BIDS

Sealed bids will be accepted in the school district administrative offices at the place, date and hour shown on Sheet 1, Contract Section I, at which time the bids will be publicly opened.

The lowest bidder(s) will be designated for contract purposes provided the firm is on the qualified bid list and subject to a final review and agreement between the two parties (the district and the designated distributor). The bid of any low bidder not on the qualified bid list will be subject to approval.

2. CORRECTION OF MISTAKES ON THE BID FORM

Erasures or the use of typewriter correction fluid on bid forms are not acceptable and may result in the rejection of the bid. Prior to submission or openings, errors may be crossed out, corrections entered, and initialed by the person signing the bid. No bids shall be altered or amended after the specified time for opening.²

3. QUANTITIES

See Section IV. It shall be understood by all parties concerned that any contract established as a result of this invitation will not obligate the school district to receive any quantity in excess of actual requirements. While the quantities shown are classified as estimates for bidding purposes, they do result from actual historic tabulation. School district authorities will make a reasonable effort to fully utilize projected supplies of formula items which may not have a market elsewhere.

Quantity requirements for items with volatile prices shall be projected as far in advance as practical, usually with a lead time of two to four weeks in advance of usage.

Distributors are required to bid and deliver all items listed, as well as items which may be added later. Any questions concerning a distributor's capability to bid or deliver an item must be raised with school district authorities at least two weeks prior to bid opening.

1

Section II of the Bid Documents applies to all types of purchase contracts for foods and services. If any conflicts exist between the requirements set forth in Section II and Section III - Special Requirements, those in Section III shall prevail.

2

The reason for this requirement is to prevent apprehensions on the part of bidders that price proposals might be altered by school district officials.

4. REVIEW AND AWARD OF BIDS

After the public opening of bids, the school district Board of Trustees may require at least 10 days for review of low bids prior to awards. It is important for bidders to understand that the reason for the review of bids, line by line, is to assess the fairness of the bid to suppliers and the school district alike. Any supplier must show suitable evidence for acceptance of any item challenged upon review and assessment. Acceptance shall be at the discretion of school district officials who also shall have the discretion of removing items from all bids, if the bid instructions are unclear. Any proposal, which in the opinion of the School Board violates the integrity of fairness of a bid, may be rejected in total.

A single award will be made from acceptable low bids to cover the entire requirements of each or all groups during the contract period. The School Board reserves the right to reject any or all bids, in whole or in part, and to waive technicalities whenever it is deemed to be in the best interest of the school district.

5. EXCLUSIVITY

The school district agrees to use the designated contract supplier(s) as an exclusive source for the various items and services as listed herein as well as for comparable substitutes and supplemental items. The only anticipated exceptions might be in time of emergency.

The designated supplier(s) reciprocally agrees to provide total requirements as listed herein, thereby minimizing occurrences when a school district may have to seek other interim product sources. Failure to deliver 100% of the items on this list -- within 48 hours -- shall be considered a default.

In case of default by the successful bidder, the school district after due notice (oral or written) may procure the necessary supplies from other sources and hold the contractor responsible for any excess cost occasioned thereby. Continuous instances of default may result in cancellation of the contract and removal of the bidder from the prequalified bid list for the duration of the ensuing year, at the option of school district officials.

6. LINES OF COMMUNICATION

As far as practical, all communications between school district(s) and supplier(s) shall be in writing. Each shall designate a representative to deal with day-to-day logistical matters of the program. Matters of policy are to be dealt with by the Supervisor of Food Services and a high level company official.

7. NEW PRODUCTS

The contract supplier is encouraged to present or demonstrate new items or concepts to the school district food service supervisor.

8. REPORTS

Contractors shall be required to submit product utilization reports to the school district at the end of a contract period. When contracts are issued on an annual basis, utilization reports shall be issued to the school district quarterly as well as at the end of the contract period. These reports shall be submitted for total quantity delivered per item in terms of bid units per school delivery point. Utilization reports shall be submitted within 15 calendar days after the end of a quarter or contract period. Payments for the month prior to the due dates of utilization reports may be withheld at the discretion of school district officials, until interim or final acceptable utilization reports are received.

9. DELIVERY TIMES AND PLACES

The prices quoted shall be for deliveries to all schools in the district as shown in Section V. All drop sites require deliveries nine months per year. Some drop sites, however, may require deliveries for summer feeding programs, in which case this contract shall include such deliveries.

Delivery schedules shall be submitted to school district officials for prior approval and shall remain constant from week to week. Deliveries shall be ordered in full-case quantities whenever possible. Deliveries shall be made in accord with the frequency and hours designated in Section III - Special Requirements. Deliveries shall be made Mondays through Fridays except on school holidays or closed days (due to inclement weather). When holidays or closed days fall on a scheduled delivery day, deliveries shall be made on the next school day.

Drivers and helpers shall deliver merchandise into designated storage areas (dry, chilled and frozen) at each school. Although drivers or helpers may be required to stack merchandise in display coolers or freezers, they shall not be required to stow merchandise in shelves in walk-in holding rooms. See Section III - Special Requirements.

Drivers and helpers shall request the authorized school receiver, or the designated representative, to verify the accuracy of items, quantities of each item, total quantities, and condition of merchandise. Each delivery ticket shall be receipted (signed) by a designated school receiver. Variations from the norm, i.e., shortages, damages, etc., shall be noted on each ticket by the designated school receiver and initialed by both the truck driver and school receiver.

Special or intermediate deliveries will be required only if a contractor fails to deliver a product on a regularly scheduled delivery, in which case the contractor shall make delivery within 24 hours or as otherwise requested by the food service supervisor.

10. ITEM SUBSTITUTIONS

In the event of significant price escalations, a supplier shall be prepared through his school account (sales) representative to offer substitutions at equal or lower cost. If a distributor is temporarily out of stock of a particular item, he may deliver an equal or superior product at an equal or lower price, with prior approval of the district food service supervisor.

However, in all such instances, each substitution should be labeled clearly as such on each invoice with a separate item code. Substitutions should exist only in "emergency" situations. Substitutions at higher prices can be made only upon prior approval of the school district food service supervisor.

11. PAYMENTS

Contractors shall submit statements for individual schools monthly on mutually agreed upon dates to the district authority. Each statement shall include a summary of delivery tickets (invoices) for the period. Each ticket shall be listed in numerical sequence and show the total charges. Statements may be submitted more often than monthly but only upon the mutual agreement of both parties.

The district will remit payments in 10 days, from date of receipt and approval of statement.

12. EXTENSION

This contract may be extended for a period not to exceed 60 days upon the mutual agreement of both parties and provided that there are no escalations of the service fees.

13. TERMINATION

Contracts may be terminated at any time, on 30 days' notice, upon the mutual agreement of both parties or upon the discretion of the school district, in a shorter period of time, if the terms of the contract are violated in any way.

B. BIDDER QUALIFICATIONS

Before any bid can be accepted, a bidder must be deemed qualified, in the judgment of school district officials, to perform as required herein. A bid may be rejected if a bidder fails to meet any one of the following qualifications:

1. PRODUCT LINE

It must be clearly evident to school district officials that a bidder is capable of delivering promptly all items on the bid list and acquiring, on short notice, any peripheral items which might be required.

2. CAPACITY

A bidder must clearly demonstrate to school district officials that he has the capacity, physically and financially, to supply items to the school district in economical quantities as required.

3. RELIABILITY

A successful bidder must have a proven (or believable) record of service, particularly with respect to delivering all items on a regularly scheduled basis, at favorable prices. A distributor may be designated as unacceptable if the requirements listed herein have been previously violated and/or poor communications exist between the seller and the school district.

4. ACCOUNTING PRACTICES

A successful bidder must clearly demonstrate to school district officials his capability to provide accurate, reliable and timely reports, in terms of invoices, statements, credits and utilization reports. Moreover, he must demonstrate his capability to spontaneously provide data for periodic reviews of prices by school district officials.

5. FACILITIES AND EQUIPMENT

Contractors must have adequate warehouses for supplying contract products. Conditions for storing chilled and frozen products must be as recommended by the Refrigeration Research Foundation. Delivery temperatures of frozen and chilled food shall be in accord with the AFDOS Code as recommended by the Food and Drug Administration (Federal).

6. SANITATION REQUIREMENTS

Contractors' facilities may be routinely inspected by district officials. Facilities and operating practices must be continuously in compliance with the United States Food, Drug, and Cosmetic Act and State and local laws and regulations.

C. STANDARD CONTRACT CONDITIONS

1. This contract shall be governed in all respects -- as to validity, construction, capacity, performance, or otherwise -- by the laws of the State.
2. Contractors providing services under this Invitation to Bid herewith assure the school district that they are conforming to the provisions of the Civil Rights Act of 1964, as amended.
3. State Sales and Use Tax Certificate of Exemption form will be issued upon request. Sales tax shall be included in prices where applicable.
4. Deliveries against this contract must be free of excise or transportation taxes, except when such a tax is part of a price and school districts are not exempt from such levies. Excise tax exemption registration number may be used when required.¹
5. Contractor shall comply with applicable Federal, State and local laws and regulations pertaining to wages, hours, and conditions of employment. In connection with contractor's performance of work under this Agreement, contractor agrees not to discriminate against any employee(s) or applicant(s) for employment because of age, race, religious creed, sex, national origin, or handicap.

1

Excise tax: A special tax levied by Federal, State or local governments against a product or service.

6. Modifications, additions, or changes to the terms and conditions of this Invitation to Bid may be a cause for rejection of a bid. Bidders are requested to submit all bids on the school district's official forms. Bids submitted on company forms may be rejected.
7. The contractor agrees to retain all books, records, and other documents relative to this agreement for three (3) years after final payment, or until audited by the district, whichever is sooner. The district, its authorized agents, and/or State auditors shall have full access to and the right to examine any of said materials during said period.
8. By his signature on the face of this document, a bidder certifies that his bid is made without prior understanding, agreement, or connection with any corporation, firm or person submitting a bid for the same materials, supplies, or equipment, and is in all respects fair and without collusion or fraud. The bidder certifies that he understands collusive bidding is a violation of Federal law and can result in fines, prison sentences, and civil damage awards. He further agrees to abide by all conditions of this bid and certifies that he is authorized to sign this bid for the bidder.
9. Prohibition against conflicts of interest, gratuities and kickbacks.

"Any employee or any official of the school district, elective or appointive, who shall take, receive or offer to take or receive, either directly or indirectly, any rebate, percentage of contract, money or other things of value, as an inducement or intended inducement, in the procurement of business, or the giving of business, for, or to, or from, any person, partnership, firm or corporation, offering, bidding for, or in open market seeking to make sales to the school district shall be deemed guilty of a felony and upon conviction such person or persons shall be subject to punishment or a fine in accord with State and/or Federal laws."

D. STANDARD PRODUCT CONDITIONS

1. All products shall conform to the minimum requirements of Federal and State regulations. These requirements shall include, but not be limited to, weights, measures, fill of containers, drained weights and contamination.
2. All products shall conform to standard guarantee requirements with respect to safety, and the supplier by his signature on Section I, page 2, agrees to hold the buyer harmless in the event of product failure.

END SECTION II

CONTRACT SECTION III - SPECIAL BID AND CONTRACT REQUIREMENTS¹

A. TYPE OF CONTRACT

Type 1 - ANNUAL - REIMBURSABLE COST PLUS FIXED FEE FOR SERVICES

B. INSTRUCTIONS FOR FILLING IN SECTION IV.

1. BRANDS (Column 2)

Bidders enter the brands of the products you propose to supply on the line provided for each item listed in Section IV. Also enter the product codes (colors or numbers) as may be appropriate.

2. PACK SIZE (Column 2)

Bidders state "How Packed." If bidder wishes to offer a pack size which is different from the pack shown, state the size offered, convert the number of units to conform to your pack size and enter this information on the form. For example, if the pack size shown is 6/#10 and you want to offer 4/1 Gal., proceed with the net content conversion as discussed above.

3. PRICES (Columns 4 - 8)

Bidders enter in Column 4 your cost price per unit (pounds, case or equivalent) for each item shown in Section IV. Enter in Column 5 your fixed annual service fee opposite each item as shown. Total the cost price and annual fixed service fee and enter in Column 6. Multiply the total cost and fee (Column 6) by the number of units (Column 7) on each line and enter the extension in the total column (8). Add all total column extensions to obtain a total bottom line price for each group. Enter this number on the appropriate line(s) in Section I.

All product costs in Section IV shall be firm for 30 days (one month), except as may be indicated otherwise. Service fees shall be firm for the duration of the contract. Product cost price decreases as well as increases shall be passed on to the school district.

C. BID DISCLOSURE

Only bottom line numbers will be read at the bid opening. The low bidder must present at the bid opening (or deliver within 24 hours) Section IV (line item costs and fees) of the bid document, completely executed and totalled.

¹

Section III of the Bid Document applies only to the type of contract designated in III A.

Line item cost prices and fees are classified as "financial information" in accordance with "The Freedom of Information Act" and are not subject to public disclosure. Invoices submitted to the school district are subject to disclosure, but only after a formal written petition is made to the school district Board of Trustees.

D. DEFINITION OF COST PRICES

A supplier's invoice costs shall reflect promotion allowances, i.e., one free with 10, or bid allowances, the benefits of which shall accrue to the purchaser.¹ Cash discounts, label allowances, and group allowances or other "rebates" shall accrue to the benefit of the distributor.¹ Cost prices shall be based on "delivered to distributors' warehouse." Freight rates shall normally be in carload or truckload quantities of straight or mixed items, except for very small volume items which may be "drop shipped." Costs shall be based on the "latest invoice," either prior to merchandise being delivered to the purchaser, or in stock, as the case may be, in thirty (30) day firm price requirement.

E. PRICE CHANGE REVIEWS

A contract supplier is required to submit a list of price changes monthly to the school district. Price changes shall be effective on a specific, constant day of a month. Changes shall be submitted to the school district immediately, on revised order forms, after the designated constant date of price change, preferably to arrive within 5 days. A supplier who does not have a computer must submit the invoice number of his purchase source to substantiate each price change.

F. PRICE CHANGE AUDITS

Audits may be made of a supplier's costs price records as follows:

- (a) Audits are required at the end of the contract period.
- (b) Audits may also be made at mid-term of the contract.
- (c) Audits may be made at the discretion of school district officials at any time monthly price reviews indicate that a problem might exist.
- (d) Audits shall be made of the following:
 - (1) Questionable price increases.
 - (2) Selected items showing price increases.
 - (3) Selected items showing no price changes.
 - (4) Substitution of cheaper brands or grades.
- (e) A full review may be undertaken when circumstances are questionable.

¹Volume rebates and target allowances must be passed on to the buyer. A distributor is prequalified on the basis that he is a volume buyer. Thus on cost plus contracts the buyer is entitled to receive volume purchasing benefits.

G. DELIVERY FREQUENCY

Deliveries shall be made on a regularly scheduled basis to each school weekly, Mondays through Fridays, except school holidays and closing days (due to inclement weather). Deliveries shall be made between the hours of 7 AM and 2 PM.

H. TRANSMITTAL OF ORDERS

Order forms (preprinted) shall be furnished by contract suppliers for recording and transmitting orders by mail or hand delivering 72 hours in advance of delivery, unless other suitable arrangements are made.

I. ADDITIONAL ITEMS

The ordering of additional items not on the Product List (Section IV) will be held to a minimum. However, the fixed fee for any item not on the list shall not exceed the following:

<u>Cost Wholesale Unit</u>	<u>Fee Wholesale Unit (Case)</u>
\$10.00 or Less	\$1.00
\$10.01--\$15.00	1.35
\$15.01--\$20.00	1.60
Over \$20.00	1.75

School districts will notify the contract distributor at least two weeks in advance of delivery of items required which are not normally stocked by the contractor.

J. PRODUCT CODES

Contract distributors shall designate items by product codes on invoices (delivery tickets). Codes shall be designated either by color, i.e., Monarch Blue, or number, i.e., Butoni 4414, as may be appropriate to facilitate checking orders at time of delivery.

K. BUYER-DISTRIBUTOR RELATIONSHIP

Under arrangements of a Type 1 contract, a contract distributor is in essence "hired" as a buyer for the school district. In this respect, it is his responsibility to "look out" for the interest of his client with respect to the following:

- (a) Interface with packers on problems relating to product pack and quality.

- (b) Make purchases of specified items at the lowest price, including freight.
- (c) Maintain a constant search for substitute items which offer better values.
- (d) Promote the introduction of new items, either by packer or distributor representatives.
- (e) Organize and conduct clinics for food service supervisors and/or cafeteria managers, conducted by packer representatives, on item usage and preparation.
- (f) Respond readily to problems of delivery, paper transactions, or product performances.
- (g) Provide promptly the necessary documents for product usage and price changes.
- (h) Institute a system to minimize occurrences of small price changes, particularly when due to slight variations in freight charges.

END SECTION III

CONTRACT SECTION IV - PRODUCT REQUIREMENTS

TYPE 1 CONTRACT - REIMBURSABLE COST PLUS FIXED FEE

Groups A - E, Meats & Groceries

Example of Product Bid List and Column Headings

No.	Identification	Unit	Unit Cost	Fixed Fee	Total Cost & Fee	Units Required	Total Item Cost
1	2	3	4	5	6	7	8
			\$	\$	\$	No.	\$

A118A BEEF, GROUND, PATTIES

(F), IMPS #1136,

80:20 lean to fat,

IQF, 80/2 oz. box

Approved Brands:

Unit: Lb.

0.92

0.012

.992

80,000

79,360.⁰⁰

See CATALOG OF SPECIFICATIONS
For List of Products

Col. 4 = Verifiable cost from last invoice.

Col. 7 = Estimated Requirements

Total Column 8

ALL ITEMS ON BID LIST \$1,738,257.37*

* Transfer to Sheet 2, Contract Section I.

CONTRACT SECTION IV CONTINUED

GROUP A

FROZEN AND CHILLED MEAT ITEMS

CONTRACT SECTION IV Cont'd.

Group A Frozen and Chilled Meat Items

INDEX OF ITEM HEADINGS- From Catalog of Specifications

NO.	IDENTIFICATION	PAGE	NO.	IDENTIFICATION	PAGE
(1) - BEEF			(6) - FISH PRODUCTS		
A102A	Beef, Corned	A1	A604	Catfish	13
A104A	Beef, Ground, Bulk	1	A610	Clams	13
A118A	Beef, Ground, Patties	1	A612P	Fish and Cheese	13
A144	Beef, Italian with Cheese	2	A615	Fish Chunks	13
A155	Beef, Liver	2	A615G	Fish Cubes	13
A160A	Beef, Roasts	2	A616C	Fish Fillets	13
A174	Beef, Steaks	3	A617	Fish Patties	14
A184	Beef, Stew Meat	3	A620C	Fish Portions, Cooked	14
A190A	Beef, Sticks	3	A632C	Fish Portions, Raw	15
(2) - PORK			A650C	Fish Squares, Cooked	16
A201	Bacon	4	A655C	Fish Sticks, Raw	16
A204	Ham	4	A675	Shrimp	16
A250	Liverwurst	5	(7) - BUTTER, CHEESE & MARGARINE		
A254	Pork Barbecue	5	A705	Butter, Bulk	17
A264A	Pork Butts	5	A711	Butter Patties	17
A270	Pork Chops	5	A717	Butter Prints	17
A280	Pork, Dry Salt	6	A724	Butter Reddies	17
A284	Pork Rib Patties	6	A740A	Cheese	17
A294A	Pork Shoulder	6	A780A	Cheese Food	19
(4) - SAUSAGE PRODUCTS			A782	Cheese Spread	20
A404	Bologna	7	A790A	Margarine	20
A412A	Frankfurters	7	(8) - PREPARED FOODS		
A430	Kielbasa	7	A802	Beef Chalupa	21
A431	Knockwurst	8	A804	Burritos	21
A435	Luncheon Loaf	8	A810	Chili Con Carne	21
A438A	Pastrami	8	A812	Corn Dogs, Cooked	21
A444	Pepperoni	8	A824	Enchiladas	21
A450	Pimento Loaf	8	A830	Lasagna	21
A455	Salami	8	A850A	Meat Balls	22
A470	Sausage	9	A851A	Meat Loaf	22
A495A	Smokie Links	9	A852	Meat Pies	22
(5) - POULTRY AND EGGS			A854	Pizza	22
A502	Chicken Breast Strips	10	A880	Ravioli	24
A504	Chicken Chunks	10	A890	Salisbury Steaks	24
A505	Chicken Fingers	10	ABBREVIATIONS (See text)		
A507	Chicken Drumettes	10	IMPS - Institutional Meat Specifications		
A509	Chicken Nuggets	10	VPP - Vegetable Protein Product		
A511	Chicken Patties	10	CN (label) - Child Nutrition		
A515A	Chicken Parts	10	CR - Certificate Required on % breeding		
A531A	Eggs	11	PUFI - Packed Under Federal Inspection		
A550	Turkey Breasts	12	(USDC)		
A555	Turkey Rolls	12	CC - Commodity Credit		
A564	Turkeys	12	TAI - See Table A		

GROUP A FROZEN AND CHILLED MEAT ITEMS (Con't.)

Notes

Approved Brands: Buyer enter brand only if "Approved Brand" appears in the product ID.

How Packed: Bidder enter information only if "How Packed" appears in the product ID. Otherwise, furnish pack as specified.

Brand Quoting: Buyer enter line for "Brand Quoting" on all items. (Omitted in specs which follow). Bidder fill in information re Brand and Product Code, i.e., Morarch Blue or Butoni 1411, as shown on master carton.

Unit: Bid unit.

Buyer insert list of items from CATALOG OF SPECIFICATIONS.

CONTRACT SECTION IV CONTINUED

SPECIFICATIONS¹ SPECIFIC TO GROUP A ITEMS

FROZEN AND CHILLED MEAT ITEMS²

MEAT AND POULTRY INSPECTION

All meat and poultry produced under the terms of these specifications must be derived from animal (or bird) carcasses which have been inspected by government (Federal or State) officials. Cut-up or further processed meat, from either Federally or State inspected plants, must bear inspection stamps on the box or package. Moreover, the product must be produced in plants which meet Federal or State sanitation requirements.

MEAT GRADES

School districts purchase very little meats which are visibly identified by USDA Grades. The reason for this is that meat grades are shown only on wholesale cuts or boxes containing wholesale cuts. School districts purchase a limited amount of these cuts. The only time USDA grades are specified is when a grade stamp can be seen on cuts or boxes on delivery.

IMPS

Institutional Meat Purchase Specifications (IMPS) are commonly used in school lunch purchasing and, insofar as practical, these numbers should show on wholesale cartons. If not, however, a packer must certify to the distributor and/or user that the product meets the IMP specifications. Most meat items such as fresh beef, lamb, pork and veal; products which are cured; edible by-products; and sausage are packed according to Institutional Meat Purchase Specifications. These specifications standardize various fresh meat cuts or combination products for the purposes of trade identification as to how they are cut, trimmed, ground, mixed, blended and the state of refrigeration required, i.e., chilled or frozen. IMP specifications are designated by numbers which have a very specific meaning in identifying the product. When a supplier puts an IMPS Number on a carton, he is certifying that the product meets the standards as outlined in the IMP Specifications.

1 These are recommended specifications. This section can be included in the bid document.

2 Primarily main course items. Includes eggs cheese and prepared foods.

SPECIFICATIONS SPECIFIC TO GROUP A ITEMS (CON'T.)

POULTRY GRADES

Poultry products must be USDA Grade A for bidding purposes, except as indicated otherwise, herein. The USDA Grade must be identified by a shield on the carton. Plant Grade A may be acceptable, but only after a contract is let, if the products come from a plant with good quality control and passes the school district's kitchen test.

VEGETABLE PROTEIN PRODUCTS (VPP)

The initials VPP are used herein to refer to products such as Textured Vegetable Protein; the initials TVP® are a trade mark of ADM (Archer Daniels Midland Company). The ratio of meat to VPP is referred to as percent of meat (flesh) with VPP, rather than percent VPP, because the trend is to use this more accurate description.

BREADING OF MEAT AND POULTRY PRODUCTS

Specifications as listed herein for meat and poultry require 25 percent breading at time of pack. Federal regulations require that breading (for meat and poultry) cannot exceed 30 percent without modifying the name of the product. Packers of breaded meat and poultry products normally will certify that breading at time of pack will range between 24 and 28 percent. Thus 25 percent means "nominal." Successful bidders are required to furnish dated certificates from packers showing the packer's specifications on range of breading. See following page for example of certificate.

When the term "Breading" is used in the item identification, it infers that the product has been breaded either with (a) dry ground or chopped bread crumbs or (b) dry cracker meal. When the term "Flour Breading" is used, it infers that the product must be breaded with a dry mixture, predominately of wheat flour. The term "Battered" infers that the product must be dipped in a stirable hydrated (water added) wheat flour batter mix, then breaded and fried long enough to set the breading. The term "Chicken Fried" refers to the method of cooking breaded products (at a processing plant) in deep fat similar to the deep-fat method of frying chicken.

EXAMPLE OF BREADING CERTIFICATION

BIRDS-OF-A-FEATHER FOODS

PRODUCT SPECIFICATIONS

Effective Date January 1, 1985

Product Name Breaded Chicken Breast Fillet Strips

Product Code 2992 Pack Bulk Label Weight 10 lbs.

Raw Portion Weight 1.25 oz., avg.

Weight of Raw Chicken 0.91 oz. avg., 72% to 76% of total weight

Weight of Dry TVP 0

Weight of Hydrated TVP 0

Weight of Other Ingredients 0

Weight of Raw Breeding 0.34 oz. avg., 24 to 28% of total weight

Each strip will provide 0.64 oz. of Cooked Lean Meat/Meat Alternate Equivalent for "Type A" School Lunch Requirements. This value is based on yield information for boneless chicken established by FNS.

I certify that to the best of my knowledge the above information is true and correct.

Jerrell Cole
Signed

Technical Services
Title

Birds-of-a-Feather Foods
Company

July 14, 1985
Date

¹Portions are raw, but breading is pre-set in vegetable oil.

²Slight variation in portion weights is possible, due to normal process variance; however, average weights per case will meet or exceed the stated weight.

Cooking Instructions:

Deep Fry: 3 1/2 to 4 1/2 minutes at 350⁰F.
Convection Oven: 13 to 18 minutes at 425⁰F.
Regular Oven: 15 to 20 minutes at 450⁰F.

Cooking time and temperature may vary with equipment.

Store at 0⁰F. or below until ready to use.

SPECIFICATIONS SPECIFIC TO GROUP A ITEMS (CON'T.)

EGG GRADING

Fresh eggs must be USDA Grade A for bidding purposes, except as may be noted herein. The USDA Grade must be indicated by a shield on the carton. Plant Grade A eggs may be acceptable, but only after a contract is let, and provided that the school service supervisor is assured that a packer has acceptable quality control. Plant Grade A eggs are judged by the same standards as USDA Grade A and when a supplier labels his eggs "Grade A," they must meet the USDA Grade A standards by State law.

Grade B eggs are listed since they are used for scrambling and in the preparation of other cooked foods. The price differential can be the determining factor in deciding whether it is advisable to order both Grade A eggs for frying sunny side up and Grade B eggs for other uses.

FISH INSPECTION AND GRADING

Raw fish as specified herein must bear the PUFI (Packed Under Federal Inspection) Shield. Breaded products must bear either a PUFI or USDC (Department of Commerce) Grade Shield. See Table A-1. Exceptions are as follows:

- (a) - Raw fresh-water fish (i.e., catfish) which are not normally packed under Federal Inspection are exempt.
- (b) - Packers of breaded fresh-water fish must provide a certificate to show that their breeding specifications conform to the requirements of the school district.

RAW OR COOKED

Meats, poultry and seafoods are deemed to be raw (uncooked) unless the term "cooked" is used. The term "cooked" implies "fully" cooked unless a lesser degree of doneness is specified.

- 1 Sometimes the term "raw" might be used superfluously to accentuate the point.

SPECIFICATIONS SPECIFIC TO GROUP A ITEMS (CON'T.)

IQF

The term "IQF or Individually Quick Frozen" essentially means that the parts can be removed individually from packages. The term "quick" means frozen "at the time" in a freezer tunnel, either by air blast, nitrogen or carbon dioxide.

CN LABEL

When a product is requested to have a CN (child nutrition) label, this means that the packer warrants that the amount of product is in accord with the amount to be credited toward the meal requirements in conformance with USDA - FNS standards.

In lieu of a CN label, a packer may provide a certificate stating that the product is manufactured in accord with CN standards.

Table A-1 MINIMUM PERCENT FLESH REQUIRED ON BREADED FISHERY PRODUCTS WHICH ARE GRADED OR INSPECTED BY THE U.S. DEPARTMENT OF COMMERCE (USDC)

Product	USDC Grade A	PUFI ¹
<u>Fish Fillets</u>		
Raw Breaded Fillets	--- ²	50%
Precooked Breaded Fillets	---	50%
Precooked Crispy/Crunchy Fillets	---	50%
Precooked Battered Fish Fillets	---	40%
<u>Fish Portions</u>		
Raw Breaded Fish Portions	75%	50%
Precooked Breaded Fish Portions	65%	50%
Precooked Battered Fish Portions	---	40%
<u>Fish Sticks</u>		
Raw Breaded Fish Sticks	72%	50%
Precooked Breaded Fish Sticks	60%	50%
Precooked Battered Fish Sticks	---	40%
<u>Scallops</u>		
Raw Breaded Scallops	50%	50%
Precooked Breaded Scallops	50%	50%
Precooked Crispy/Crunchy Scallops	---	50%
Precooked Battered Scallops	---	40%
<u>SHRIMP</u>		
Lightly Breaded Shrimp ³	65%	65%
Raw Breaded Shrimp ³	50%	50%
Precooked Crispy/Crunchy Shrimp	---	50%
Precooked Battered Shrimp ⁴	---	40%
Imitation Breaded Shrimp ⁴	---	No minimum.
Encouraged to put % on label		
<u>Oysters</u>		
Raw Breaded Oysters ⁵	---	50%
Precooked Breaded Oysters ⁵	---	50%
Precooked Crispy/Crunchy Oyster ⁵	---	50%
Precooked Battered Oysters ⁵	---	40%
<u>Miscellaneous</u>		
Fish and Seafood Cakes	---	35%
Extruded and Breaded Products	---	35%

1 PUFI - Packed Under Federal Inspection (and not graded).

2 "----" means no USDA grading standard currently exists.

3 FDA standards of identity require a minimum of 50% shrimp flesh by weight and if labeled "lightly breaded" must contain not less than 65% shrimp flesh.

4 Any product with a standard of identity which contains less flesh than the standard calls for, must be labeled "imitation".

5 Flesh content on oyster products can only be determined on input weight basis during production.

CONTRACT SECTION IV CONTINUED
INFORMATION FOR THE BUYER¹
FROZEN AND CHILLED MEAT ITEMS

VEGETABLE PROTEIN PRODUCTS (VPP)

FNS Notice 219 (revised) regulates the amount of soy protein which can be substituted for meat and credited in a meal to meet the requirements for reimbursement in the Child Nutrition Program.

Under current guidelines, the fully hydrated VPP must be no less than 18 percent protein, by weight. Since VPP extenders may vary in source or content, the current procedure is to address the mix in terms of percent meat, i.e., 70 percent minimum of beef, meaning that the extension is 30 percent, which is the maximum allowed.

Manufacturers suggest that the most economical level from the nutritional viewpoint is approximately 25 percent VPP. Carton labels should clearly state the percentage of meat, (or extender) or carry a CN label. If a food service director feels that the source may not be reliable, then he or she should request that the packer supply a Certificate of Compliance.

COMMODITY CREDIT

The term "Commodity Credit" (CC) is used in the Item Specifications as a general term. More specifically, the term refers to the refunds or discounts received from "Commodity Processing Contracts".

A Processing Contract is an arrangement whereby state agencies can enter into contracts with commercial manufacturers for them to receive USDA donated food, (commodities) process them into "manufactured" foods such as mayonnaise, cheese pizza and hamburger buns and credit school districts with the value of the donated food.

Basically, processing contracts permit a school district to receive an end product containing a commodity at a price which is reduced by the value of the commodity. This concept is referred to as passing through the value of USDA donated foods. As previously stated, the process of passing through the value is accomplished either by a refund or a discount procedure.

1 It is not necessary to include this section in the Bid Document.

INFORMATION FOR THE BUYER (CON'T.)

Under a refund system, a processor makes a product and sells it to commercial distributors who in turn, sell the product to a school district at a competitive market price without regard to the donated food content. A school can then petition the State for a set amount of refund per unit. The State approves this petition, along with others, and forwards them to the processor, who in turn, writes a refund check to the school district. The refund method has a reasonable degree of accountability and maintains a normal level of competitiveness among commercial distributors.

Under the discount plan, commercial distributors discount a product by the value of the donated food. If, for example, a case of pizza costs \$30, the school district would know that the discount was \$5. School districts are informed of discount amounts by the state. Under this option, the processor makes the refund to the distributor. This method is not highly favored by distributors because it leaves them with collection problems.

In either instance (refund or discount) processors are accountable for their inventories and pass-through usage of donated food. State agencies are therefore encumbered to track shipments to processors, usage and inventory items of actual sales.

CURED PORK PRODUCTS

The USDA is revising the regulations pertaining to cured pork products, i.e., hams shoulders, picnics, butts, and loins. The regulations change the labeling of cured pork products and are based on the minimum meat Protein Fat Free percentage (PFF). Basically the revisions allow for four product names and qualifying statements as follows: (1) common and usual name (i.e. Cooked Ham); (2) common and usual name with natural juices (i.e. Cooked Ham with Natural Juices); (3) common and usual name Water Added (i.e. Cooked Ham Water Added); and (4) common and usual name and Water Added Product - x% of weight is added ingredients (i.e. Cooked Ham Water Added Product - 15% of weight is added ingredients.)

CONTRACT SECTION IV CONTINUED

GROUP B

FROZEN FRUITS, JUICES, VEGETABLES & BAKERY PRODUCTS

CONTRACT SECTION IV CONTINUED

Group B - Frozen Fruits, Juices, Vegetables & Bakery Products

INDEX OF ITEM HEADINGS - From Catalog of Specifications

NO.	IDENTIFICATION	PAGE	NO.	IDENTIFICATION	PAGE
(1) - FRUITS			(4) - BAKERY PRODUCTS		
B101A	Apples	B1	B810	Bagels	12
B125C	Cherries	1	B815	Biscuits	12
B130	Coconut	1	B820	Bread Dough	12
B150A	Mixed Fruit	1	B825	Bread	12
B160A	Peaches	1	B835	Buns	12
B175A	Strawberries	1	B845	Donuts	12
(2) - JUICES			B855	French Crullers	13
B202	Apple Juice	2	B856	French Toast	13
B205	Grape Juice	2	B860	Fruit Turnovers	13
B210	Lemonade	2	B865	Honey Buns	13
B215	Lemon Juice	2	B870	Hush Puppies	13
B220	Orange Juice	2	B890	Muffins	13
B240	Portion Juices	2	B900	Pancakes	14
B275	Juice Bars	2	B902	Pastry Dough	14
(3) - VEGETABLES			B904A	Pies	14
B302	Beans	3	B920A	Pie Shells	14
B330A	Broccoli	3	B930	Pudding	14
B340	Broccoli & Cauliflower	3	B945	Topping, Whipped	14
B350A	Brussels Sprouts	3	B947A	Tortilla Shells	15
B360	Carrots	4	B990A	Waffles	15
B370A	Cauliflower	4	ABBREVIATIONS (SEE TEXT)		
B380A	Corn	4	CN (label) - Child Nutrition		
B400A	Greens	4	CR - Certificate Required		
B450A	Okra	5	Grade None indicates no USDA Grade		
B470	Onion Rings	5	Standards for this product, thus		
B480A	Peas	5	it is graded by packer standards.		
B495A	Peas & Carrots	5	PP - Portion packed juice must meet USDA		
B510A	Spinach	6	Grade Standards for Grade A canned		
B520A	Squash	6	single strength juice or if the		
B540A	Succotash	6	product is from concentrate, it		
B550	Vegetable Sticks	6	must meet the brix and acid		
B560A	Vegetables, Mixed	6	requirements of canned single		
B595	Yam Patties	7	strength juice.		
(3) - VEGETABLES - POTATOES					
B701A	Potatoes, F.F.	8			
B752A	Potatoes, F.F., Extruded	10			
B774A	Potatoes, Oven-Ready	10			
B781A	Potatoes, Specialties	11			

GROUP B FROZEN FRUITS, JUICES, VEGETABLES & BAKERY PRODUCTS

Notes

Approved Brands: Buyer enter brand only if "Approved Brand" appears in the product ID.

How Packed: Bidder enter information only if "How Packed" appears in the product ID. Otherwise, furnish pack as specified.

Brand Quoting: Buyer enter line for "Brand Quoting" on all items. (Omitted in specs which follow) Bidder fill in information re Brand and Product Code, i.e., Morarch Blue or Butoni 1411.

Unit: Bid unit.

Grade None: Item not graded.

Juice Bars: May be bid on ice cream list, Group H.

Buyer insert List of Items required
from Catalog of Specifications

CONTRACT SECTION IV CONTINUED

SPECIFICATIONS¹ SPECIFIC TO GROUP B ITEMS

FROZEN FRUITS, JUICES, VEGETABLES & BAKERY ITEMS²

GRADES

The grades specified herein for fruits, juices and vegetables refer to "Packer Grades" except as specifically indicated otherwise. To specify USDA Grades is of little value unless a grade shield appears on containers or the product is accompanied by a USDA Grade certificate.

Throughout this *Catalog*, the terms Grade A, Grade B and Grade C are used rather than the descriptive terms, Fancy, Choice, etc. For clarification the dual nomenclature is as follows:

Grade	Fruits	Vegetables
Grade A	Fancy	Fancy
Grade B	Choice	Extra Standard
Grade C	Standard	Standard

APPROVED BRANDS

The brands shown on the following pages are approved for all Group B items, except as noted. Other brands may be approved, but only under the guidelines discussed herein under "Specifications Generic To All Item Groups." If an approved brand is also packed under a distributor's label the bidder should so state, listing the packers product number. For example, Downey Flake Waffles #1141 - Frosty Acres label.

Any brand which bears a USDA Grade Shield or is accompanied by a USDA certificate of Grade is automatically accepted.

PORTION PACKED JUICE

Portion packed juice must meet USDA Grade Standards for Grade A canned single strength juice or if the product is from concentrate, it must meet the brix and acid requirements of canned single strength juice.

-
- 1 These are recommended specifications. This section can be used in the Bid Document.
 - 2 Primarily complementary items, plus a few main course items. The terms bakery items and bakery products are used interchangeably. When used in reference to Group B items, they refer to frozen bakery products.

CHART OF GRADE DESIGNATIONS OFFERED BY MAJOR BUYING GROUPS

Buying Group	1st Quality	2nd Quality	3rd Quality
	 GREEN	 BLUE	 RED
	 GOLD	 RED	 BLUE
	 RED	 BLUE	 GREEN
FEDERATED	 RED	 BLUE	 YELLOW
	 RED	 BLUE	 YELLOW
 F.A.B., INC.			— — — —
	 BLUE	 RED	 GREEN
	 BLUE	 RED	 GREEN





CHART OF GRADE DESIGNATIONS OFFERED BY MAJOR BUYING GROUPS

Continued

Buying Group	1st Quality	2nd Quality	3rd Quality
Nugget. <small>SPANG</small>	 BLACK	 RED	 GREEN
		LITTLE MOMMIE	PARTAKE
 <i>Pocahontas</i> <small>FOODS USA DISTRIBUTOR</small>	<i>Pocahontas</i>	Mount Stirling	 Wigwam
 S. E. RYKOFF & CO.	GOLDEN REY  RED	SILVER REY  BLUE	GLOWING STAR  GREEN
 SYSCO	 SYSCO Supreme - Gold Imperial - Blue Classic - Red	 SYSCO Reliance- Green	VALUE LINE _____ BROWN
 FOODSERVICE	5 STAR BLUE	4 STAR RED	3 STAR GREEN
 North American Foodservice	 North American	 Host Delight	 Host Pak
	BLUE	RED	GREEN

CHART OF GRADE DESIGNATIONS OFFERED BY MAJOR BUYING GROUPS

Continued

Buying Group	1st Quality	2nd Quality	3rd Quality
 PGR PACIFIC GAMBLE ROBINSON CO.	 FROZEN  CANNED	 CANNED	_____
LIL BRAVE	BLUE	RED	GREEN
BONDED	GOLDBON	_____	_____

NOTES

- 1st Quality:** Packer Grade A for canned and frozen vegetables and frozen fruits. Packer Grade B (Choice) for canned fruits. Exception: Code Grade B fruits are packed under the 2nd Quality label.
- Frosty Acres French Fries:** Color represents length of potato:
Red = Premium Length (extra long); Brown = Long; Blue = Line Flow (variable lengths).
- North American Buying Group** permits members to use their own "house" brands which may have different color or brand codes. House labels are packed under buying group contracts using the same quality standards.
- Lil Brave and Bonded:** Logos not furnished.
- Sysco update:** New corporate label program is being phased in as follows: Supreme Gold = Rare and unique products; Imperial Blue = Fancy vegetables and fancy and choice fruits from prime growing regions; Classic Red = Fancy vegetables and choice fruits from non-prime growing regions. Some Sysco and Buy Line labels will remain in the distribution system until supplies are exhausted.
- NIFDA update:** Prime Pak = Fancy vegetables and choice fruits from prime growing regions; Royal Pak = Same as Prime Pak except from any region. NIFDA claims both will score 5 points higher than the minimum level for USDA Grade A. Dandy Pak = Fancy vegetables and choice fruits which meet USDA Grade Standards.

See Appendix C for Addresses.

CONTRACT SECTION IV CONTINUED

INFORMATION FOR THE BUYER FOR GROUP B ITEMS¹

FROZEN FRUITS, JUICES, VEGETABLES & BAKERY ITEMS

PORTION PACKED JUICE

Portion packed juice must meet USDA Grade Standards for Grade A canned single strength juice or if the product is from concentrate, it must meet the brix and acid requirements of canned single strength juice.

There are other type portion juices on the market that contain only 10 percent pure fruit juice. These products, when labeled correctly, are called fruit drinks.

STEAMTABLE PRODUCTS

Several items in the product list are described "For Steamtable" and are Grade B. These products might very well grade higher for color, absence of defects, flavor, texture, etc. but are down graded because of maturity. More mature products contain less sugar, thus they stand up longer on the steam table.

POTATO LENGTH

Potatoes are sorted into several sizes according to the length of the potato. (See Notes on Frosty Acres following Chart of Grade Designations Offered by Major Buying Groups).

Extra Long - 80% or more are 2 inches in length or longer; 30% or more are 3 inches in length or longer.

Long - 70% or more are 2 inches in length or longer; 15% or more are 3 inches in length or longer.

Medium or Line Flow - 50% or more are 2 inches in length or longer.

Shorts - Less than 50% are 2 inches in length or longer.

¹ It is not necessary to include this section in the Bid Document.

CONTRACT SECTION IV CONTINUED

GROUP C

CANNED AND DRIED FRUITS, JUICES AND VEGETABLES

CONTRACT SECTION IV CONTINUED

GROUP C - Canned and Dried Fruits, Juices and Vegetables

INDEX OF ITEM HEADINGS - From Catalog of Specifications

NO.	IDENTIFICATION	PAGE	NO.	IDENTIFICATION	PAGE
(1) - CANNED FRUITS			(3) - CANNED VEGETABLES (Con't.)		
C101A	Apples	C1	C480A	Okra	8
C109A	Applesauce	1	C490A	Onions	9
C113A	Apple Rings	1	C500A	Peas	9
C117B	Apricots	1	C580A	Peppers	10
C120	Bananas	1	C590A	Pimentos	10
C121A	Cherries	1	C600A	Potatoes	10
C126A	Cranberry Sauce	2	C610A	Pumpkin	10
C128B	Figs	2	C620A	Sauerkraut	10
C129B	Fruit Cocktail	2	C630A	Spinach	10
C130B	Fruit Mix	2	C650A	Sweet Potatoes	11
C131B	Grapes, Jubilee	2	C670	Vegetables, Chow Mein	11
C133A	Grapefruit	2	C680A	Vegetables, Mixed	11
C143A	Oranges	3			
C148B	Peaches	3	(4) - TOMATO PRODUCTS		
C165B	Pears	3	C701	Chili Sauce	12
C174A	Pineapple	4	C703	Tomato Catsup	12
C185B	Plums	4	C712	Tomato Paste	12
C190A	Prunes	4	C714	Tomato Puree	12
C198A	Tropical Fruits	4	C721	Tomato Sauce	12
			C724	Tomatoes	12
(2) - CANNED JUICES			(5) - CANNED MEATS		
C201	Apple Juice	5	C801	Bacon	13
C202	Fruit Drinks	5	C805C	Beef and Gravy	13
C204	Grape Juice	5	C805G	Beef, Cubed	13
C206	Hawaiian Punch	5	C810	Beef Roast	13
C208	Grapefruit Juice	5	C815C	Chicken and Dumplings	13
C212	Orange Juice	5	C815G	Chicken Meat	13
C216	Orange-Grapefruit Juice	5	C820C	Chili	13
C220	Pineapple Juice	5	C825C	Clams	13
C222	Pineapple-Grapefruit Juice	5	C830C	Corned Beef Hash	13
C226	Tomato Juice	5	C835	Dumplings with Chicken Broth	13
C230	V-8 Juice	5	C840	Ham Chunks	14
(3) - VEGETABLES			C845	Hot Dog Chili Sauce	14
C310	Bean Sprouts	6	C855C	Meatballs	14
C320A	Beans	6	C860	Meat Ravioli	14
C370A	Bean Salad	7	C870	Salmon, Chum	14
C380A	Beets	7	C880	Tuna	14
C400A	Carrots	7	C890	Vienna Sausage	14
C420A	Celery	8			
C430A	Corn	8			
C440A	Greens	8			
C470A	Hominy Grits	8			

GROUP C CANNED AND DRIED FRUITS, JUICES AND VEGETABLES

TABLE OF CONTENTS

NO.	IDENTIFICATION	PAGE
(6) - DRIED PRODUCTS		
C901	Apple Nuggets	15
C903	Beans	15
C920	Currents	15
C921A	Grits	15
C925	Noodles, Chow Mein	15
C930	Pasta	15
C945	Peas	16
C950	Potatoes	16
C959	Prunes	17
C960	Rice	17

ABBREVIATIONS

Packer grades are used throughout. (See text.) Grade None or N indicate that there are no USDA Grade Standards for this product, thus the product is graded by packer standards.

Notes

Approved Brands: Buyer enter brand only if "Approved Brand" appears in the product ID.

How Packed: Bidder enter information only if "How Packed" appears in the product ID. Otherwise, furnish pack as specified.

Brand Quoting: Buyer enter line for "Brand Quoting" on all items. (Omitted in specs which follow) Bidder fill in information re Brand and Product Code, i.e., Monarch Blue or Butoni 1411.

Unit Bid unit.

Buyer insert List of Items required
from CATALOG OF SPECIFICATIONS

CONTRACT SECTION IV CONTINUED

SPECIFICATIONS¹ SPECIFIC TO GROUP C ITEMS

CANNED & DRIED FRUITS, JUICES, VEGETABLES & MEAT PRODUCTS²

GRADES

The grades specified herein for fruits, juices and vegetables refer to "Packer Grades" except as specifically indicated otherwise. (To specify USDA Grades is of little value unless a grade shield appears on containers or the product is accompanied by a USDA Grade certificate.)

Whereas, the top quality codes (colors and brand names) mean Grade A for vegetables, they may mean Grade B for fruits. This is because commercial Grade A fruits are uncommon. The top grade for fruits is therefore B, which is commonly referred to as "choice",³ and usually bears the same color codes or brand names as Grade A vegetables.

APPROVED BRANDS

The brands referenced in Section B are also approved for all Group C Items, except as noted. Other brands may also be approved by a buyer, but only under the guidelines discussed herein under "General Specifications Generic To All Item Groups."

Any brand which bears a USDA Grade Shield or is accompanied by a USDA Certificate of Grade is automatically acceptable.

MINIMUM STANDARDS

All canned product must conform to U.S. minimum standard requirements. If not, the supplier (packer) is in violation not only of contracts with the school district, but also with Codes of the Federal Food and Drug Administration and/or the Federal Trade Commission. Three important Federal regulations pertaining to canned foods are listed for the edification of bidders. These and other Federal and State regulations are automatically part of bid requirements.

1 These are recommended specifications. This section can be used in the Bid Document.

2 Primarily complementing items, plus a few main course items.

3 The CODE label is an exception. See charts.

SPECIFICATIONS SPECIFIC TO GROUP C ITEMS (CON'T.)

- (1) - Net Container Quantity - The minimum net quantity of all products in cans and jars shall be in accord with Section 401 of the Federal Food, Drug and Cosmetics Act regarding the individual specifications for standard of fill for that product as prescribed in 7 CFR Part 52.
- (2) - Fill of Containers - All products shall be filled as full as practical under good commercial packing practices, without impairment of quality, and otherwise in accord with Section 401 of the Federal Food, Drug and Cosmetics Act, regarding individual specifications for standards of fill as prescribed in (7 CFR Part 52).
- (3) - Drained Weights - Drained weight of "wet pack" items shall conform to good industry practices and the minimum requirements of the Federal Food, Drug and Cosmetics Act for drained weight, as prescribed in the individual specifications of each product in 7 CFR Part 52.

CONTRACT SECTION IV CONTINUED

INFORMATION FOR THE BUYER FOR GROUP C ITEMS¹

CANNED & DRIED FRUITS, JUICES, VEGETABLES & MEAT PRODUCTS

DRAINED WEIGHT

Drained weight or the amount of usable product in a can enables the user to determine the amount of product required to serve the desired number of portions of a specific size. The portion cost can be calculated from this information. Since drained weight is not a factor of grade except in a few products such as whole peeled tomatoes, drained weights may vary slightly from packer to packer.

It should be remembered that because of the high speed filling procedures utilized in processing plants, drained weights are based on averages, thus variations are natural. USDA has published recommended drained weights for most canned products. (See Table C-1.) Under general requirements of the USDA quality grade standards, drained weight cannot be determined for 30 days after canning. This allows for the product to "equalize" i.e., the proper interaction of the product and the packing medium. In fruit packed in syrup, the drained weight of the fruit increases as the syrup equalizes with the fruit.

Drained weights may be determined at any time after the 30 day equalization process has taken place. The temperature of the packing medium should be 68°F plus or minus 18° (20°C plus or minus 10°). The drained weight of a product is determined by emptying the contents of the container upon a U.S. Standard No. 8 circular sieve, 12 inches in diameter for No. 10 cans, so as to distribute the product evenly, inclining the sieve slightly (17 to 20 degrees) and allowing two minutes for the product to drain.

The weight of the drained product is the weight of the sieve and the product less the weight of the dry sieve.

1 It is not necessary to include this section in the Bid Document.

INFORMATION FOR THE BUYER FOR GROUP C ITEMS (CON'T.)

FILL WEIGHT

Fill weight is the average weight of the net contents of the container before sealing and processing. (See Table C-1.) Federal and state laws require that a statement of net quantity be given on the label. There is no law that specifies what the weight shall be, however, the USDA generally recommends that the container should be filled as full as practical under good commercial practices without impairment of quality. Canners depend upon fill weights to control drained weight factors without wasting product.

GRADE

In canned fruit products, Grade B (Choice) generally is the highest quality level packed and marketed in the industry. The supply of Grade A fruits produced is too low to provide a consistent amount of year-round supply. The top or first quality label for most major buying groups is, therefore, Grade B. (Code brand markets these fruits under their second quality or blue label). Fruits available primarily as Grade B are apricots, figs, fruit cocktail, grapes, peaches, pears, plums and sliced pineapple. Apples, cranberries, cherries, pineapple (except sliced) and prunes are readily available in Grade A.

Canned vegetables are available in Grade A in all products except whole peeled tomatoes. With this item, Grade B is the highest available to the food service trade because of the difficulty in meeting the standards when high volume packing techniques are employed.

PINEAPPLE

Top quality pineapple comes from Hawaii and the Philippines although Thailand and Malaysia consistently produce good quality pineapple. South America and Mexico produce a lower quality. For those reasons, bids may specify "from Hawaii or the Philippines only". The balance of flavor and superior color are the principle reasons that pineapples from Hawaii and the Philippines consistently score higher than minimum U.S. Grade Standards. It is for this reason that some packers have assigned special brand names for products from prime production areas.

INFORMATION FOR THE BUYER FOR GROUP C ITEMS (CON'T.)

GREEN BEANS

The most common variety of green beans for many years was blue lake, but today it is almost a generic term. Geneticists have produced hybrids with this variety which allow for much wider growing areas. Originally, the blue lake was developed and grown in the Pacific Northwest, but good quality varieties are available in the Midwest and even in New York and the South. The original blue lake was a dark green, stringless bean with a rich flavor. The beans from New York and the South are generally lighter in color than those grown in the Northwest and Midwest.

GREEN PEAS

There are two types of green peas; "early peas", sometimes called "early June", which have smooth skins and "sweet peas" which have wrinkled skins. Sieve sizes, which indicate the diameter of the peas, range from 1 to 6 and are described as tiny, small, medium small, medium, medium large and large. Peas are usually packed in a 2% brine solution. Although there is no USDA recommendation for drained weight of canned peas, the average drained weight is usually between 70 and 72 ounces, for a No. 10 can.

MIXED VEGETABLES

The U.S. Grade Standards for frozen mixed vegetables specify the percentage of the mixture of each vegetable. There is, however, no Grade Standards for canned mixed vegetables, thus the packer may increase the ratio of the lower cost items and reduce the percentage of the higher cost items. Some items for mixed vegetables are frozen prior to canning because of the different maturing seasons, green beans and carrots, in particular. There is no USDA recommendation for drained weight of mixed vegetables, but the average drained weight of a #10 can is usually between 65 and 70 ounces.

SWEET POTATOES

There are two types of sweet potatoes grown in the U.S.: a dry flesh type which is light yellow in color and grown in the midAtlantic states; and a moist flesh type, orange in color, which grows in the South and the central valleys of California. This latter type is marketed in the industry as a yam. A true yam is grown only in tropical climates and is not related to the sweet potato. For labeling purposes, both the dry and moist-fleshed varieties must be called sweet potatoes in the list of ingredients, but the term "yams" may also be shown on the label of the moist variety.

INFORMATION FOR THE BUYER FOR GROUP C ITEMS (CON'T.)

TOMATO PRODUCTS

Tomatoes from California account for about 95% of that used by the food service trade. California tomatoes are more consistent in quality and flavor than Eastern or Midwest tomatoes. Several types of tomatoes are available, including whole peeled, crushed, diced and chopped. The use intended for tomato products should determine the type of product purchased. When preparing chili or sauces, diced or chopped tomatoes will usually do the same job as whole peeled with less labor and usually less expense. Crushed tomatoes is a California style for which there is no Standard of Grade, thus caution should be used to ensure a uniform product. Some packers distinguish differences in crushed tomatoes on the label, for instance, NIFDA has designations for concentrated crushed tomatoes, coarse ground peeled tomatoes in puree and coarse ground unpeeled tomatoes in puree.

TABLE C-1 NET WEIGHT, DRAINED WEIGHT AND AVERAGE NUMBER OF SERVINGS IN NUMBER
10 CANS OF FRUITS AND VEGETABLES¹

Fruits	Count ²	Average Net Weight	USDA Recommended Drained Weight	Average Servings ³ Per Can	
				2 oz.	3 oz.
Applesauce		6 lb.12 oz.	NA	54	35
Apples, Sliced		6 lb. 8 oz.	96 oz.	6-9	"Pies
Apple Rings, Spiced & Colored	85/90	6 lb.10 oz.	53 oz.	1	2
Apricot Hlvs. Unpeeled Hv. Syrup	108/130	6 lb.12 oz.	62 oz.	4	4
Apricot Hlvs. Unpeeled Hv. Syrup	86/108	6 lb.12 oz.	62 oz.	4	4
Cranberry Sauce, Jellied		6 lb.11 oz.	NA	58	39
Cherries, Red Tart Pitted, Water		6 lb. 6 oz.	72 oz.	6-9	"Pies
Cherries, Light Sweet Hv. Syrup		6 lb.12 oz.	66.5 oz.	33	22
Cherries, Dark Sweet Hv. Syrup (Pitted or Unpitted)		6 lb.12 oz.	66.5 oz.	33	22
Figs - Kadota Hv. Syrup	70/90	6 lb.14 oz.	66.0 oz.	3	3
Fruit Cocktail Hv. Syrup		6 lb.12 oz.	71 oz.	35	23
Fruit Mix - Tidbits Lt. Syrup		6 lb.10 oz.	71 oz.	35	23
Fruits for Salad Hv. Syrup		6 lb.12 oz.	64.5 oz.	Approx	25
Grapes, Thompson Seedless Hv. S.	450/525	6 lb.12 oz.	62 oz.	31	20
Peaches Yel. Cling Hlvs. Hv. Syp.	25/30	6 lb.12 oz.	66.5 oz.	1	1
Peaches Yel. Cling Hlvs. Hv. Syp.	30/35	6 lb.12 oz.	66.5 oz.	1	1
Peaches Yel. Cling Sliced Hv. Syrup		6 lb.12 oz.	66.5 oz.	33	22
Peaches Yel. Cling Diced Hv. Syrup		6 lb.12 oz.	70.0 oz.	35	23
Pear Halves Hv. Syrup	30/35	6 lb.10 oz.	64.1 oz.	1	1
Pear Halves Hv. Syrup	35/40	6 lb.10 oz.	64.1 oz.	1	1
Pear Sliced Hv. Syrup		6 lb.10 oz.	65.5 oz.	33	22
Pear Diced Hv. Syrup		6 lb.10 oz.	67.0 oz.	33	22
Pineapple - Sliced Hv. Syrup	52	6 lb.12 oz.	63.5 oz.	2	2
Pineapple - Sliced Hv. Syrup	66	6 lb.12 oz.	63.5 oz.	2	2
Pineapple - Sliced Hv. Syrup	100/110	6 lb.12 oz.	63.5 oz.	3	3
Pineapple Tidbits Hv. Syrup		6 lb.12 oz.	69.0 oz.	34	23
Pineapple Chunks Hv. Syrup		6 lb.12 oz.	90.0 oz.	34	30
Plums - Purple Whole	70/80	6 lb.12 oz.	62.0 oz.	2	2
Prunes - Prepared Hv. Syrup	190/210	6 lb.12 oz.	70.0 oz.	8	8

1 Source, Canned Foods Specification Manual - NIFDA

2 As may be applicable.

3 School lunch patterns require that two or more servings of vegetable or fruit or both total 1/2 cup (ages 1-8, Preschool - Grade 3), thus two 2 oz. servings satisfy this requirement. The 3 oz. serving meets the requirement for ages 9 and over, Grades 4 - 12.

TABLE C-1 NET WEIGHT, DRAINED WEIGHT AND AVERAGE NUMBER OF SERVINGS IN NUMBER 10 CANS OF FRUITS AND VEGETABLES (Con't.)

Vegetables	Count	Average Net Weight	USDA Recommended Drained Weight	Average Servings ² Per Can	
				2 oz.	3 oz.
Beans, Whole Green		6 lb. 5 oz.	57.5 oz.	28	19
Beans, French Style Green		6 lb. 5 oz.	59.0 oz.	29	20
Beans, Cut Green 3,4,5 Sv.		6 lb. 5 oz.	60.0 oz.	30	20
Beans, Cut Wax 4 Sv.		6 lb. 5 oz.	60.0 oz.	30	20
Beans, Tiny Green Lima		6 lb. 9 oz.	72.0 oz.	36	24
Beans, Dark Red Kidney		6 lb.12 oz.	73.0 oz.	36	24
Beets, Small Whole	150/199	6 lb. 8 oz.	69.0 oz.	34	23
Beets, Sliced Medium		6 lb. 8 oz.	68.0 oz.	34	23
Beets, Diced		6 lb. 8 oz.	72.0 oz.	36	24
Blackeyed Peas		6 lb. 9 oz.	72.0 oz.	36	24
Carrots, Whole	100/over	6 lb. 9 oz.	68.0 oz.	34	23
Carrots, Sliced		6 lb. 9 oz.	68.0 oz.	34	23
Carrots, Diced		6 lb. 9 oz.	72.0 oz.	36	24
Celery Cuts		6 lb. 6 oz.	64.0 oz.	32	21
Collard Greens		6 lb. 2 oz.	58.4 oz.	29	20
Corn, Golden Cream Style		6 lb.10 oz.	NA	53	35
Corn, Golden Whole Kernel		6 lb.10 oz.	70.0 oz.	35	23
Corn, Golden Whole Kernel		4 lb.11 oz.	65.0 oz.	32	21
Hominy, Golden or White		6 lb.12 oz.	72.0 oz.	32	21
Mustard Greens		6 lb. 2 oz.	58.4 oz.	29	20
Peas, Fancy 2,3,4 Sv.		6 lb. 9 oz.	NA	35	23
Peas, Ex. Std. 2,3,4,5 Sv.		6 lb. 9 oz.	NA	35	23
Peas, Std. 4,5,6 Sv. & Ungraded		6 lb. 9 oz.	NA	35	23
Pork & Beans		6 lb.14 oz.	NA	55	36
Potatoes, Whole	100/110	6 lb. 6 oz.	74.0 oz.	35	25
Pumpkin		6 lb.10 oz.	NA	6-9"Pies	
Sauerkraut, Shredded & Chopped		6 lb. 3 oz.	80.0 oz.	40	26
Spinach, Leaf, Chopped & Sliced		6 lb. 2 oz.	58.4 oz.	29	20
Turnip Greens		6 lb. 2 oz.	58.4 oz.	29	20

TABLE C-1 NET WEIGHT, DRAINED WEIGHT AND AVERAGE NUMBER OF SERVINGS IN NUMBER
10 CANS OF FRUITS AND VEGETABLES (Con't.)

Tomato Products	Count	Average Net Weight	USDA Recommended Drained Weight	Average Servings Per Can	
				2 oz.	3 oz. ¹
Chili Sauce		7 lb. 3 oz.	NA	*	
Tomatoes, Crushed or Ground		6 lb. 9 oz.	NA	*	
Tomatoes, Whole Peeled, Ex.Std.		6 lb. 6 oz.	63.5 oz.	34	24
Tomatoes, Whole Peeled, Std.		6 lb. 6 oz.	54.7 oz.	34	24
Tomatoes, Stewed		6 lb. 6 oz.	59.0 oz.	30	20
Tomato Catsup 26% Concentration		6 lb.15 oz.	NA	*	
Tomato Catsup 29% Concentration		7 lb.	NA	*	
Tomato Puree 1.045 Spec. Gravity		6 lb. 8 oz.	NA	*	
Tomato Puree 1.06 Spec. Gravity		6 lb.10 oz.	NA	*	
Tomato Sauce		6 lb.10 oz.	NA	*	

* These products are normally used as ingredients, therefore the number of servings depends upon how the product is used.

CONTRACT SECTION IV CONTINUED

GROUP D

GENERAL SUPPORT GROCERY ITEMS

CONTRACT SECTION IV CONTINUED

Group D - General Support Grocery Items

INDEX OF ITEM HEADINGS - From Catalog of Specifications

NO.	IDENTIFICATION	PAGE	NO.	IDENTIFICATION	PAGE
(1) - CEREALS, GRAINS, OILS, SUGAR AND OTHER ITEMS			(1) - CEREALS, GRAINS, OILS, SUGAR AND OTHER ITEMS (Con't.)		
D002	Anti-oxident	D1	D170	Potato Sticks	9
D004	Baking Powder	1	D174	Puddings	9
D006	Baking Soda	1	D194A	Shortening	9
D007	Brownie Mix	1	D202	Smoke, Liquid	10
D008A	Bulgar	1	D203A	Soups	10
D010A	Cake Mixes	1	D228A	Sugar	10
D011	Cereal Crumbs	1	D242	Sunflower Seeds	11
D018	Cheese, Dry	2	D244	Taco Shells	11
D019A	Chocolate Chips	2	D250	Tapioca	11
D023	Clear Gel, Instant	3	D252	Tart Shells	11
D024	Corn Chips	3	D256	Tortilla Chips	11
D028	Cocoa, Breakfast	3	D270	Vanilla Wafers	11
D029A	Cocoa Drops	3	D272A	Vegetable Protein Product	11
D032	Coconut	3	D274	Whip Topping	11
D035	Coffee	3	D290	Yeast	11
D040	Corn Meal	3	(2) - CONDIMENTS, JAMS, JELLIES, OLIVES, ONIONS, PICKELS & SAUCES		
D044	Corn Starch	3	D404	Dressings	12
D048	Crackers	4	D436	Lemon Juice	12
D054	Cream, Sour	4	D439	Mayonnaise	12
D056	Croutons	4	D444	Molasses	13
D060	Distilled Water	4	D448	Mustard, Prepared	13
D064	Eggs	4	D450	Olives	13
D068	Flour	4	D452	Peppers	13
D077G	Food Color	4	D456	Pickles	13
D084	Frosting Mixes	5	D484	Sauces	14
D091A	Gelatin	5	D532	Sauce Mixes	15
D104	Ginger Ale	6	D550	Syrups	16
D105	Glaze, Strawberry	6	D580	Vinegar	16
D108	Graham Cracker Crumbs	6	(3) - PORTION PACK		
D115A	Jelly	6	D601A	Cereals	17
D120A	Marshmallows	6	D607	Crackers	18
D122A	Milk Chocolate Chips	7	D610A	Creme, Coffee	18
D126A	Milk	7	D613	Dressings	19
D135	Muffin Mix	7	D630	Jellies	20
D136A	Nuts	7	D640	Lemon Juice	20
D138A	Oatmeal	7	D642	Mayonnaise	20
D141	Oats	7	D646	Mustard	20
D142	Oil	8	D650A	Pepper	20
D145	Pancake Mix	8	D652	Pickle Relish	20
D146	Pie Fillings	8	D653	Raisins	20
D150A	Peanut Butter Chips	8			
D154	Peanut Butter	8			
D162	Pop Tarts	8			

GROUP D GENERAL SUPPORT GROCERY ITEMS

TABLE OF CONTENTS

NO.	IDENTIFICATION	PAGE	NO.	IDENTIFICATION	PAGE
(3) - PORTION PACK (Con't.)			(4) - SPICES AND SEASONINGS (Con't.)		
D652	Pickle Relish	20	D896	Peppers, Bell	25
D653	Raisins	20	D896	Pepper	25
D654A	Salt	20	D920	Poppy Seed	26
D655	Salt Substitute	21	D926	Poultry Seasoning	26
D658	Sauces	21	D932	Sage	26
D670	Sugar	21	D937A	Salt	26
D670B	Sugar Substitute	21	D954	Seasonings	26
D670C	Syrup, Maple	21	D984	Sesame Seed	27
D684	Tea Bags	21	D990	Thyme	27
D66A	Tomato Catsup	21			
(4) - SPICES AND SEASONINGS			ABBREVIATIONS (See Text)		
D704	Allspice	22	CC	Commodity Credit	
D708	Apple Pie Spice	22			
D716	Bacon Bits	22			
D720	Bases	22			
D732	Basil	22			
D734	Bay Leaves	22			
D736	Carmel Color	22			
D740	Celery, Dehydrated	22			
D746	Celery Salt	23			
D752	Celery Seed	23			
D758A	Chili Powder	23			
D766A	Cinnamon	23			
D772A	Cloves	23			
D778	Cream of Tartar	23			
D780	Cumin	23			
D784	Flavorings	23			
D814	Garlic Powder	24			
D820	Garlic Salt	24			
D826	Ginger	24			
D832	Gravy Bases	24			
D844	Mace	24			
D848	MSG	25			
D854	Mustard, Ground	25			
D855	Mustard Seed	25			
D860	Nutmeg	25			
D866	Onions, Dehydrated	25			
D872	Onion Salt	25			
D878	Oregano	25			
D884	Paprika	25			
D890	Parsley Flakes	25			

ABBREVIATIONS (See Text)

CC Commodity Credit

Notes

Approved Brands: Buyer enter brand only if "Approved Brand" appears in the product ID.

How Packed: Bidder enter information only if "How Packed" appears in the product ID. Otherwise, furnish pack as specified.

Brand Quoting: Buyer enter line for "Brand Quoting" on all items. (Omitted in specs which follow) Bidder fill in information re Brand and Product Code, i.e., Monarch Blue or Butoni 1411.

Unit: Bid unit.

Buyer insert List of Items Required from Catalog of Specifications

CONTRACT SECTION IV CONTINUED

SPECIFICATIONS SPECIFIC TO GROUP D ITEMS¹

GENERAL SUPPORT GROCERY PRODUCTS

GRADES

Only a few items in Group D have USDA standards of grade. These are non-fat dry milk, pickles, pimentos and tomato catsup. All other items are purchased by brand preference or in accord with U.S. minimum standards of identity.

APPROVED BRANDS

Most items in Group D are available only under manufacturers' brands. However, some items are available under buying group distributor labels. Any distributor brand listed in Group B is automatically approved unless specified to the contrary. Unless a brand is specified, the school district will accept the brand quoted.

1 These are recommended specifications. This section can be used in the Bid Document.

CONTRACT SECTION IV CONTINUED

GROUP E

NON-FOOD EXPENDABLE SUPPLIES

CONTRACT SECTION IV CONTINUED

Group E - Non-Food Expendable Supplies

INDEX OF ITEM HEADINGS

From Catalog of Specifications

NO.	IDENTIFICATION	PAGE	NO.	IDENTIFICATION	PAGE
(1) - PAPER & PLASTIC PRODUCTS			(3) - BROOMS & MOPS		
E101A	Aluminum Foil	E1	E605	Brooms	19
E110	Aprons	1	E616	Mop Bucket	19
E115A	Bags	1	E617	Mop Press	19
E120A	Baking Sheets	3	E620A	Mops	19
E122A	Bowls	3	E625A	Mop Heads	19
E128A	Bowl Lids	4	E626B	Mop Handles	19
E129	Butter Chips	4			
E130A	Containers	4	(4) - DISHWASHING MACHINE COMPOUNDS		
E135A	Container Lids	4	E703	Chlorine Test Strips	20
E150A	Cups	5	E705	Delimer	20
E161A	Cup Lids	6	E710	Dish Machine Detergent	20
E175A	Film Wrap	8	E715	Dish Machine Drying Agent	20
E190A	Gloves	8	E720	Sanitizer	20
E200A	Liners	9	E725	Sanitizer, Detergent	20
E215A	Napkins	9	E730	Stain Remover	20
E250A	Paper	10			
E275A	Plates	10	(5) - MISCELLANEOUS		
E325A	Silverware	11	E901	Aprons	21
E330	Spork Kit	11	E910	Dish Cloths	21
E340	Stirrers	11	E915A	Dish Towels	21
E350	Straws	11	E930	Food Release Spray	21
E400	Table Cloths	12	E932	Food Release, Liquid	21
E405	Table Covering	12	E945	Gloves Rubber	21
E420A	Towels	12	E965	Oven Mitts	21
E440A	Trays	13	E975	Pot and Pan Holders	21
E480	Wet Wipes	16	E980	Oven Sleeves	21
E490A	Wipers	16	E995	Waffle Sponge Cloth	21
(2) - CLEANING SUPPLIES					
E502	Ammonia	17			
E505	Bleach	17			
E525	Cleaners	17			
E550	Cleanser	17			
E555	Deodorizer	17			
E559	Detergents	17			
E570	Disinfectant	18			
E572	Protector, Oven Spray	18			
E575	Scouring Pads	18			
E580	Soap, Liquid Hand	18			
E590	Wiping Cloths	18			

Buyer Insert List of Items
Required from CATALOG
OF SPECIFICATIONS

Notes

Approved Brands: Buyer enter brand only if "Approved Brand" appears in the product ID.

How Packed: Bidder enter information only if "How Packed" appears in the product ID. Otherwise, furnish pack as specified.

Brand Quoting: Buyer enter line for "Brand Quoting" on all items. (Omitted in specs which follow) Bidder fill in information re Brand and Product Code, i.e., Morarch Blue or Butoni 1411.

Unit: Bid unit.

CONTRACT SECTION IV CONTINUED

SPECIFICATIONS¹ SPECIFIC TO GROUP E ITEMS

NON-FOOD EXPENDABLE SUPPLIES

GRADES

Most items in Group E are purchased in accordance with U.S. minimum standards of identity unless a specific brand(s) is requested.

DISH MACHINE COMPOUNDS

Two items in the Product List, E710 and E715, require electronic dispensing devices (REDD). Since these items also require the furnishing of service, they will have to be bid as a separate group (EE). The technical part of the bid shall be as follows: The successful bidder for these items shall provide and install on each piece of equipment at each site all dispensers, reservoirs and other equipment necessary for dispensing proper levels of the product. All such equipment shall be maintained by the vendor. In the event of a breakdown, the vendor shall be accessible by phone and capable of corrective maintenance the same day without cost of parts and labor.

Dishwashing machines at each site are to be fitted with electronic soap dispensing equipment. This equipment must dispense soap into the wash tank whenever the titration level demands and sounds an audible alarm when the soap reservoir needs replenishing. The electrical connection for this dispenser shall be such that soap can only be dispensed when the dishwasher pump motor is on. Wiring shall meet or exceed all specifications of the National Electrical Code.

Testing water hardness and adjustment of automatic soap dispensers shall be accomplished by the successful bidder at three specific times during the contract year. Initial titration shall be accomplished during the month of August with rechecks and adjustments made during the months of January and April. Due to the great variance in water hardness over the contract period, complete written reports showing water hardness, soap concentration, machine water temperatures, final rinse flow pressure, general conditions of machine and parts, service performed and recommendations shall be submitted to the school food service office in a timely fashion.

The successful vendor for these two items shall also assume the responsibility for servicing all dishwash machines as outlined below, plus furnishing, installing and maintaining all product dispensing equipment.

1 These are recommended specifications. This section can be included in Bid Document, only if a separate bid is issued for dish machine compounds.

SPECIFICATIONS SPECIFIC TO GROUP E ITEMS (CON'T.)

Services shall consist of the following:

- (a) Service on all dishwash machines in the school system is required on a six to eight week basis plus emergency service as requested by the cafeteria manager.
- (b) Check and clean wash arms, rinse arms and final rinse spray jets and adjust if necessary.
- (c) Check temperatures of wash tank and final rinse, and check overflow covers to make sure they are clean and functioning properly.
- (d) Check, where possible, the final rinse pressure and set accordingly.
- (e) Use printed service report form covering (a) through (d).
- (f) Instruct operators in proper procedures involving racking, scrapping, pre-rinsing, cleaning the machine, and general instructions to those who are concerned with washing dishes; the vendor shall install wall charts indicating the proper clean-up procedures.
- (g) Check detergent and rinse pumps to insure that they are working properly and that a minimal amount of product is being dispensed to sufficiently clean all dishes.
- (h) Make minor repairs and report all malfunctions of equipment.
- (i) Any discrepancies found shall be discussed with the cafeteria manager; the report mentioned in (e) shall be left with the cafeteria manager, and one copy forwarded to the Director of Food Service; a quarterly review is desirable.

All products for use with food contact surfaces (Items E720 & E725) must be maintained at proper levels of concentration to accomplish the task of cleaning or sanitizing economically and efficiently. Easy to use test devices for monitoring concentration (RCLD) levels shall be supplied by the successful bidder of the product to be tested.

CONTRACT SECTION IV CONTINUED

INFORMATION FOR THE BUYER FOR GROUP E ITEMS¹

NON-FOOD EXPENDABLE SUPPLIES

DISPOSABLE SERVICEWARE

Disposable serviceware products include bowls, cups, plates and trays. There is a slight exception to the alphabetical order in which the items are entered on the following Product List in that cup lids of the same material follow the cups of the material they fit. For example, foam cups of various sizes are listed, and are followed by foam lids that fit the cups.

Disposable serviceware is available in several types of materials such as plastic laminated paper, foam (expanded polystyrene), and solid impact plastic. The term "Styrofoam®" should not be used as a product ID because it is a registered trademark belonging to Dow Chemical for foam insulation. Almost any color, shape color and decorating design can be found.

Foam products may be laminated to make them more sturdy, increase the cut resistance and make them moisture proof. Double lamination (i.e., lamination on both sides) allows trays to slide along serving lines smoothly with less friction and noise as well as adding to the strength of the tray. Sizes shown in the Product List are approximate since dimensions vary slightly from one manufacturer to another. Cube sizes for disposable serviceware vary considerably and should be considered if storage space for these products is critical.

PAPER TOWELS

Dimensions used throughout the Product List for towels are approximate and are not intended to specify a manufacturer, i.e., a 10 x 10 inch single fold towel may be a 9-1/2 x 10-3/4 inch or 9-1/4 x 10-1/4 inch.

Paper towels come in four types of folds, single-fold, multi-fold, narrow-fold and C-fold and in three colors, bleached or white, semi-bleached or off-white and kraft or natural. The basis weight of most towels on the market today falls into a category of 25, 28, 30 or 32 pounds (a measure of fiber content). Although basis weight is not shown on the case, most distributors know the basis weight of their towels and that of competitive products.

1 It is not necessary to include this section in the Bid Document.

INFORMATION FOR THE BUYER FOR GROUP E ITEMS (CON'T.)

The term, "basis weight" is often used in the specification for paper towels. This term is a measure of the fiber content in pounds. Generally, other things being equal, lower basis weight towels are less expensive but will shred or fall apart faster and have less absorbent capacity. The approximate weight of the case may be used as an estimation of basis weight, however, it is not entirely accurate since the number of towels per case may vary.

The bid for towels should specify (1) the fold, (2) the color, (3) the basis weight and (4) the quantity. If the above are not known, it is suggested that buyers bid towels to fit specific dispensers in the school, i.e., to fit Crown Zellerbach Towelmaster or Scott 970-979-5 or Fort Howard Commander.

CONTRACT SECTION V - SCHOOL DELIVERY POINTS

EXAMPLE

CONTACT: Ms. Sherry Conrad
School Lunch Supervisor
Westside School District -
200 Backlick Road
Westside, YOUR STATE 29501

BILLING ADDRESS: Westside School District
Post Office Box 220
Westside, YOUR STATE 29501

DELIVERY POINTS:

- | | |
|---|---|
| 1. Delview Elementary School
83 Maple Street
Westside, YOUR STATE 29501 | 7. Elizabeth Heights Elementary School
707 Bomber Avenue
Westside, YOUR STATE 29501 |
| 2. Elton John Elementary School
Main Ave. at 23rd Street
Westside, YOUR STATE 29501 | 8. Westside High School
1100 Peachtree Street
Westside, YOUR STATE 29501 |
| 3. Kayville Junior High School
218 34th Street
Westside, YOUR STATE 29501 | 9. Central Junior High School
411 12th Street
Westside, YOUR STATE 29501 |
| 4. Dinwiddie Continuing Learning Center
1819 Hale Street
Westside, YOUR STATE 29501 | 10. Duckworth Elementary School
Highway 19 South
Westside, YOUR STATE 29501 |
| 5. Eastside Elementary School
1201 Saddle Avenue
Westside, YOUR STATE 29501 | 11. Wentworth Elementary School
Highway 8 West
Westside, YOUR STATE 29501 |
| 6. de la Howe Elementary School
600 Password Road
Westside, YOUR STATE 29501 | 12. Newport Street Elementary School
1616 Newport Street
Westside, YOUR STATE 29501 |

END SECTION V

CONTRACT SECTION VI - PREQUALIFIED BIDDERS

TO BE INSERTED

See Contract Section II-B

END SECTION VI

**CONTRACT DOCUMENTS
FOR PRODUCE
TYPE 2**

PART 2 (CONTINUED)

DOCUMENTS FOR ANNUAL CONTRACT BASED ON
FIXED FEE PLUS REIMBURSABLE COST

THESE DOCUMENTS CAN BE USED
FOR BIDDING PURPOSES WITH
ONLY SLIGHT MODIFICATIONS.

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WESTSIDE SCHOOL DISTRICT
Food Service Office
200 Blacklick Road
Westside, YOUR STATE 29501

TYPE 2 CONTRACT
FOR
PRODUCE

CONTRACT SECTION I - INVITATION FOR BIDS

To: *Gulf States Produce Co.
P.O. Box 69
Winfield, YOUR STATE 29502*

Date Issued:
September 5, 1985

Attention: *Roger Todd*

Telephone: *319-870-0070*

Item: *Produce (fresh fruits and vegetables) for food service.*

Type of Contract: *TYPE 2 - ANNUAL FIXED FEES PLUS REIMBURSABLE COSTS*

Period: *Effective November 1, 1985 through October 31, 1986.*

Bid Opening: *October 5, 1984, 1:00 p.m. Public Opening, Westside
School District Food Service Office, 200 Blacklick
Road, Westside, YOUR STATE 29501*

Mail Bids To: *Hand deliver Sheets 1 and 2 only to the above
address or mail to P.O. Box 220, Westside, YOUR STATE 29051*

*ENVELOPE SHOULD BE PLAINLY MARKED "BID"
With date and time of opening.*

Conditions: *In strict accord with Sections I through VI.*

Contracts: *If you have any questions concerning this invitation
for bid, please phone Sherry Conrad, 310-727-7071.*

Note: *Italics to be filled in by school district.*

CONTRACT SECTION I (Continued)

Date Bid Issued: September 5, 1985

BIDDING FIRM SUBMIT THE FOLLOWING:

Date Submitted:

Name of Firm Bidding: Gulf States Produce Co. September 20, 1985
Signing Officer: Roger Todd
Telephone: 601-870-0070

Our fixed fees for service for Produce are as follows:

- A - Full cartons (wholesale units) approximately 14,000 units
at \$ 1.50 each = Total \$ 21,000.
- B - Broken cartons (less than wholesale units), approximately
1150 whole carton equivalents @ \$ 2.00¹ each = Total. . . . \$ 2,300.
- C - Total A and B \$ 23,300. *

* Bid will be awarded in this amount, plus reimbursable cost.

PLEASE SIGN HERE:

Roger Todd, Vice President September 20, 1985 601-870-0070
Signature and Title Date Telephone
(Authorized Company Official)

NOTE: Please fill this sheet out in INK. If corrections are needed,
cross out and initial.

DO NOT ERASE

SUBMIT ONLY SHEETS 1 and 2.

¹State the broken case charge in terms of full cartons, i.e., \$2.00.
Charges will be made in terms of pro rata amounts, i.e., one-half
carton will be \$1.00. Broken cartons are expressed in terms of full
equivalents, i.e., 1,000 units would mean 2,000 half units.

CONTRACT SECTION II
GENERAL BID AND CONTRACT REQUIREMENTS

SAME FOR ALL TYPES OF CONTRACTS.
(SEE MEATS AND GROCERIES)

CONTRACT SECTION III - SPECIAL BID AND CONTRACT REQUIREMENTS¹

A. TYPE OF CONTRACT

Type 2 PRODUCE - ANNUAL FIXED FEES FOR SERVICES PLUS REIMBURSABLE COSTS.

B. INSTRUCTIONS FOR FILLING IN SECTION IV

Bidders enter on Sheet 2, Section I, your fixed fees for services per unit, full and broken cartons separately; multiply the fixed fee per unit times the number of units indicated and enter the totals on the line shown for A and B; add lines A and B and enter on line C, which will be your bid price for services. Fixed fees shall remain firm for the duration of the contract.

Fees shall be based on the largest wholesale unit normally distributed by the contractor. Fees for broken cartons shall be based on wholesale units. That is, if \$2.00 is the service fee for breaking wholesale units, the fee shall be prorated over the broken carton quantity. For example, if a wholesale unit has 48 cello packs of radishes, the charge per cello pack would be \$0.042.

C. COST PRICES

1. REIMBURSABLE COSTS

All produce will be invoiced at the contract distributor's cost, delivered to his warehouse, with the fixed fee for service added in accord with item B above, for the duration of the contract. Prices shall be firm for 7 days.

2. DEFINITION OF COST PRICES

Cost prices shall be based on "delivered to distributors' warehouse" and shall include cooling, refrigeration and other freight related charges. Freight rates shall normally be in carload or truckload quantities of straight or mixed items, except for very small volume items which may be "drop shipped." Costs shall be based on the "latest invoice," either prior to merchandise being delivered to the purchaser, or in stock, as the case may be, in accord with the seven (7) day firm price requirement.

¹ Section III of the Bid Document applies only to the type of contract designated in III A.

3. PRICE CHANGE AUDITS

Audits may be made of the supplier's cost price records as follows:

- (a) Audits are required at the end of the contract period.
- (b) Audits may also be made mid-term of the contract.
- (c) Audits may be made at the discretion of school district officials at any time monthly price reviews indicate that a problem might exist.
- (d) Audits shall be made of the following:
 - (1) Questionable price increases.
 - (2) Selected items showing price increases.
 - (3) Selected items showing no price changes.
 - (4) Substitution of cheaper brands or grades.
 - (5) Full review will be undertaken when circumstances are questionable.

D. DELIVERY FREQUENCY

Deliveries shall be made on a regularly scheduled basis to each school weekly, Mondays through Fridays, except school holidays and closing days (due to inclement weather). Deliveries shall be made between the hours of 7 AM and 2 PM.

E. TRANSMITTAL OF ORDERS

Orders for deliveries of produce to each school will be placed by school district officials on preprinted forms, one form for each delivery point (school). Order forms may show a distributor's item codes if furnished by the contractor before the forms are printed. Orders will be mailed to a contract distributor, from the school district, two weeks in advance of delivery, but confirmed one week prior to delivery.

The critical path for produce requirements is based on pre-determined menus, which repeat every six weeks. A set of these menus will be furnished to the contract distributor for use in predicting, six weeks in advance, the approximate items and quantities required. The distributor can use this information as his buying guide. However, it is the responsibility of the contract distributor to convert the menu requirements into whole-sale units by using the basic data supplied by the District, in terms of the number of meals served per day and serving sizes.

END SECTION III

CONTRACT SECTION IV - PRODUCT REQUIREMENTS

TYPE 2 CONTRACT - REIMBURSABLE COST PLUS FIXED FEE

Group F - Produce

Example of Product Bid List and Column Headings

No.	Identification	Unit	Fixed Fee	Units Required	Total Item Cost
1	2	3	4	5	6
			\$	No.	\$
		Full CTNS	1.25	33,000	41,250.
		Broken CTNS (a)	1.65	6,000 (a)	9,900
TOTAL					68,062.50 *

* Transfer to Sheet 2, Section I

(a) Full carton equivalents.

CONTRACT SECTION IV CONTINUED

Group F - Produce

INDEX OF ITEM HEADINGS -- From Catalog of Specifications

NO.	IDENTIFICATION	PAGE	NO.	IDENTIFICATION	PAGE
(1) - FRUITS			(2) - VEGETABLES (Con't.)		
F105	Apples	F1	F565	Corn	6
F110	Apricots	1	F570	Cucumbers	6
F115	Avocados	1	F575	Eggplant	6
F120	Bananas	1	F580	Endive	6
F125	Blueberries	1	F585	Escarole	7
F130	Cantaloupes	1	F590	Greens	7
F140	Cherries	1	F592	Lettuce	7
F145	Cranberries	1	F610	Onions	7
F150	Grapefruit	2	F620	Parsley	8
F155A	Grapes	2	F625	Parsnips	8
F160	Kiwifruit	2	F630	Peas	8
F165	Lemons	2	F634	Peppers	8
F170	Limes	2	F640	Potatoes	8
F175	Mangos	2	F650	Radishes	9
F180	Melons	2	F653	Rhubarb	9
F185	Nectarines	2	F660	Rutabagas	9
F190	Oranges	2	665	Spinach	9
F195	Papayas	3	F670	Squash	9
F200	Peaches	3	F675	Turnips	9
F203	Pears	3			
F205	Pineapples	3			
F208	Plantain	3			
F210	Plums	3			
F211	Prunes	3			
F215	Strawberries	3			
F220A	Tangelos	3			
F225A	Tangerines	3			
F230	Tomatoes	4			
F235	Watermelons	4			
(2) - FRESH VEGETABLES					
F501	Alfalfa Sprouts	5			
F505	Artichokes	5			
F510	Asparagus	5			
F515	Beans	5			
F520	Beets	5			
F523	Blackeye Peas	5			
F525	Broccoli	5			
F530	Brussels Sprouts	5			
F535	Cabbage	5			
F545	Carrots	6			
F550	Cauliflower	6			
F555	Celery	6			
F560	Collards	6			

ABBREVIATIONS

Comb. = U.S. Combination Grade

Comm. = U.S. Commercial Grade

NOTES

Grades: All grades are U.S. Grades. Some items such as Red Sour Cherries may have additional state grades which are not shown in this Product List.

A "Combination Grade" is one which contains products from a lower and a higher grade. For example a combination grade for apples must consist of at least 50 percent Extra Fancy and the balance Fancy, as described in the USDA grade requirements. A combination grade may be a combination of two consecutive grade levels. Although the usual requirement is for at least 50 percent of the higher grade, some items require a different level. For example, fresh tomatoes require 60 percent of the higher level.

Cartons, flats and trays are used synonymously in various parts of the country.

Counts may or may not exist in all regions.

Containers, sizes (counts) and units are guides or examples throughout the produce list.

CONTRACT SECTION IV CONTINUED

SPECIFICATIONS¹ SPECIFIC TO GROUP F ITEMS

FRESH PRODUCE

TYPE OF CONTRACT

The specifications which follow are based on a Fixed Fee with Reimbursable Costs. Costs are subject to audit by the School District on a sample basis.²

PROCEDURES

It is not necessary for bidders to fill in prices on the following list which is submitted only for the purpose of indicating the types of items normally used in the school food service program. To submit a bid, a dealer only indicates the unit fees, for full and broken cases, and calculates total costs by multiplying the quantities of each (full and broken) by the fees to obtain a grand total.

QUANTITIES AND ITEMS

Bidders can discern from the attached list which items are normally delivered to schools in full case quantities and broken case lots. Once a bid is awarded, contract distributors can determine the items required and approximate dates of use by examining menus provided by the school district. A final determination of items will depend on market and product conditions, at the time purchases are made by the dealer.

Orders will be firmed up by the school district at least one week in advance of delivery. Distributors should, however, call the school district food service supervisor 48 hours in advance of delivery to confirm the order and discuss any variables which may exist.

1 These are recommended specifications. This section can be included in Bid Documents.

2 Costs may include a bona fide charge for postharvest cooling and an in-transit refrigeration charge.

SPECIFICATIONS SPECIFIC TO GROUP F ITEMS (CON'T.)

CONTRACTOR'S ASSISTANCE

Under this type of contract, the distributor serves as produce buyer for the school district. He is, therefore, obligated to work on behalf of the school district with respect to the following:

- (a) Determine order-by-order the manner in which certain products, such as cabbage and apples, will be used so that purchases can be made accordingly.
- (b) Select products from those available which will provide the best value for the use intended, in accord with market conditions.
- (c) Select stone fruits, melons, etc., with respect to maturity which will provide the most effective "ripeness" at time of usage.
- (d) Select products which can be delivered in optimum "condition," particularly with respect to maturity level, absence of decay, trim, appearance and color.

With a high level of mutual cooperation between a school district and a contract distributor, produce of high value and acceptance can be constantly made available to children at modest cost.

PRODUCT CONDITION

Unless otherwise indicated, all fruits and vegetables must have less than 2 percent decay at point of acceptance. All produce shall be fully mature and in good commercial condition with regard to texture, juiciness, firmness and temperature in accordance with its type and varietal attributes.

PACK AND SIZE

The pack and size shown for an item in the Product List are shown only as examples since various sizes and types are available. In many instances, an item may be available from Florida in one type of pack and size, and from California in another type of pack or size.

SPECIFICATIONS SPECIFIC TO GROUP F ITEMS (CON'T.)

GRADES

Grade requirements are that on delivery, a pack must have at least 85 percent of the grade specified, which means that 15 percent can be below the grade specified. Accordingly, a package with 40 units must have at least 34 which meet the grade requirements. A typical spec would read "85% or better U.S. No. 1."

COMBINATION GRADES

When the term "Combination" is used in the Product List, it refers to a combination of Grades.

CONTRACT SECTION IV CONTINUED

INFORMATION FOR THE BUYER FOR GROUP F ITEMS¹

FRESH PRODUCE

This manuscript specifically recommends that food service supervisors purchase produce on a (Type I) Annual Contract - Reimbursable Cost Plus Fixed Fee. Under this contract, bids are requested on an Annual Fixed Service Fee for (a) whole cartons and (b) broken cartons.

The annual produce bid document recommended is structured so that a buyer indicates (a) the total number of full cases required for the school year, and (b) the total number of broken cases required. The bidder simply indicates the fixed fees he will charge for each segment. The fixed fee for each segment is multiplied by the total number of units and added together to get a single bottom line fee cost. The bidder with the lowest aggregate fee is awarded the contract, usually for one year. The total units required are estimated.

Although a list of produce items is furnished at the time of the bid, this list is for information only and has no direct value in determining bid prices. Produce is invoiced at cost plus the applicable fixed fee. Cost prices are audited by examining the dealer's prices on a sample basis. See Part 3.

The concept is to make a contractual arrangement with a reliable dealer for him to serve as a school district's produce buyer. The produce business is a highly volatile industry due to the perishability of items, differences in growing seasons and geographical sources. Accordingly, produce buying requires the constant attention of a knowledgeable person. Unless a school district has its own (or shares a) produce buyer, the best alternative is to contract with a dealer who can work constantly on behalf of the buyer.

To enable "your produce buyer" to do the best job on behalf of a school district, a food service buyer must provide the dealer with a product list well in advance of usage. The most effective approach is to provide quarterly requirements, based on a well-planned menu cycle. Then, provide a "firm" list at least two weeks in advance of usage. Requirements can be confirmed (or changed) up to a week in advance. This procedure will enable a supplier to purchase the best qualities available at optimum prices with a minimum of risks and wastes.

Food service supervisors must depend on their produce buyers for recommendations as to best buys and qualities for the usage intended. Accordingly, it is important that produce buyers understand the intended use of each purchase. For example, the dealer should be told if cabbage is to be used for cole slaw or for cooking; or apples for eating as is, in salads, or for baking.

¹ It is not necessary to include this section in Bid Documents.

INFORMATION FOR THE BUYER FOR GROUP F ITEMS (CON'T.)

AVAILABILITY

When planning menus and ordering produce, the buyer should keep in mind the seasonal availability of fresh produce, as well as the preferred varieties, grades and sizes. Sometimes substitutes have to be made on types and varieties because of the strong availability of alternate products.

In addition to relying on the contract produce distributor for advice, a food service director might want to keep abreast of product availability and price by subscribing to market news publications available from the U. S. Department of Agriculture. Write to the U. S. Department of Agriculture for the address of the terminal nearest you. Reports are published in the following cities.

Atlanta GA	Dallas TX	Louisville KY	Pittsburgh PA
Baltimore MD	Denver CO	Miami FL	St. Louis MO
Boston MA	Detroit MI	Minneapolis MN	San Antonio TX
Buffalo NY	Houston TX	New Orleans LA	San Francisco CA
Cincinnati OH	Kansas City MO	New York NY	
Columbia SC	Los Angeles CA	Philadelphia PA	

Besides availability, price ranges of fresh produce will vary widely in accordance with product condition, variety, origin, grade quality and size. Getting the right product for the right use consistent with local market conditions will not only save money, but can improve the quality of meals served. Normally, factors causing supply shortages cause poor quality and condition. Buyers must be prepared to substitute items which are in plentiful supply for items in scarce supply which may be of questionable quality and overpriced.

ENHANCING CHARACTERISTICS

Variety. The variety for most produce items is important because differences in variety also represent differences in flavor, texture and appearance that can affect the acceptance and usage of a product. Variety preferences will vary geographically as well as seasonally. Be sure that the variety chosen is in ample supply locally and that it best fits your menu needs. For example, some areas of the country prefer McIntosh apples, others prefer Red Delicious, while still others like Stayman. Also, the availability of different varieties changes. Bartlett pears are available in August and September, while D'Anjou, Bosc and Comice are available in the fall and winter.

U.S. Grade. Each fruit and vegetable can be grade designated. Common designation used by many is 85% U.S. No. 1. The grade refers to quality and appearance. Most produce sent through fresh market channels are U.S. #1 Grade. There are different categorical grade levels, i.e., Extra Fancy, Fancy U.S.#1, U.S.#1, Commercial, or Combination.

INFORMATION FOR THE BUYER FOR GROUP F ITEMS (CON'T.)

A "Combination Grade" is one which contains products from a lower and a higher grade. For example a combination grade for apples must consist of at least 50 percent Extra Fancy and the balance Fancy, as described in the USDA grade requirements. A combination grade may be a combination of two consecutive grade levels. Although the usual requirement is for at least 50 percent of the higher grade, some items require a different level. For example, fresh tomatoes require 60 percent of the higher level.

Some storable items such as apples, pears, grapes, citrus fruits, potatoes and onions are graded when packed and before storage. Although these items may be in excellent condition when graded, their "condition" may change before reaching the market. Accordingly, it is counterproductive to specify an Extra Fancy grade if, on arrival, the product has a high percentage of decay.

Product Condition. This is probably the most important and most overlooked attribute of produce specifications. Depending on local market conditions, the buyer must communicate:

- (a) the degree of maturity desired, i.e., green, mature, hard ripe, ripe, full ripe, etc. The degree of maturity of a product when ordered will depend on when the product is to be delivered, prepared and consumed.
- (b) the maximum tolerance on decay and bruising. A commonly used tolerance is "not more than 2%."
- (c) the temperature of the product on delivery, i.e., should the melons be refrigerated for immediate consumption or not refrigerated to permit further ripening.
- (d) The type of package used, i.e., crate, cartons, weight, new or used containers.

Origin. Like variety, there are important differences between growing areas that affect both the price and acceptance of fresh produce. California navel oranges are considerably different from Florida or Texas navels. Washington or Northwest apples have a different appearance than their Midwest or Eastern counterparts. Florida and California avocados differ, as do baking potatoes from Idaho, Washington and Oregon when compared with those from Maine, Wisconsin or New York. Again, depending on market conditions and a buyer's preferences, origin can be important.

INFORMATION FOR THE BUYER FOR GROUP F ITEMS (CON'T.)

Size. Size is a very necessary attribute to be included in the specifications. Different produce items are sized differently, for example:

- Count. More and more produce items are sold by count per container. Most western fruit is sold this way, i.e., citrus fruits, apples, peaches, nectarines, pears, avocados and melons. Count refers to the number of units per container. As with dozens per crate, the smaller the count number, the larger the size.
- Potatoes are sized as A or B, A being larger than B. Potatoes can have minimum sizes, such as 2" minimum or 4 ounce minimum. Baking potatoes also are sized by count - 80's, 90's, etc. 80 count potatoes are larger than 90 count.
- Dozens per crate. Corn is sized 4, 4-1/2 or 5 dozen per crate. The 4 dozen size has larger ears than the 5 dozen.
- Maximum or minimum inches or weight. For example, 1-7/8" minimum or 3" maximum; or cabbage - 8 lb. maximum.
- Row count. Some fruits like cherries are sized by the number of rows per layer, i.e., 10-1/2 rows, 1/row lb. Plums are sized 4x4, 4x5, 5x5 which indicate the number of units of fruit in each layer of a basket. Tomato sizes are 4x4, 5x5, 5x6, 6x6, 6x7, 7x7. Again, the smaller the count, the larger the tomatoes.
- Diameters. Diameters of tapered roots like carrots indicate measurements at the top. Sieve sizes of beans and peas indicate the diameter size of the product.

UNIT

Produce is packed in hundreds of different types of containers. Commonly used containers are bushels, cartons, hampers, wirebound crates, paper and burlap bags, 1/2 cartons, flats, and baskets. Berries are mostly packed in 12 pint flats or trays, cherry tomatoes in quarts and grapes and western tree fruit in lugs or cartons. More and more produce is being packed in cardboard containers rather than wood because it is less expensive.

END SECTION IV

CONTRACT SECTION V
SCHOOL DELIVERY POINTS

AND

CONTRACT SECTION VI
LIST OF PREQUALIFIED DISTRIBUTORS

CONTRACT SECTION V - SAME AS FOR
OTHER TYPES OF CONTRACTS. FOOD
SERVICE SUPERVISORS MUST COMPILE
A SUITABLE LIST OF PREQUALIFIED
BIDDERS.

**CONTRACT DOCUMENTS
FOR MILK PRODUCTS
TYPE 3**

PART 2 CONTINUED
DOCUMENTS FOR ANNUAL CONTRACT BASED ON
FORMULA PRICING

THESE DOCUMENTS CAN BE USED
FOR BIDDING PURPOSES WITH
ONLY SLIGHT MODIFICATIONS.

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WESTSIDE SCHOOL DISTRICT
Food Service Office
200 Blacklick Road
Westside, YOUR STATE 29501

TYPE 3 CONTRACT
FOR
MILK PRODUCTS

CONTRACT SECTION I - INVITATION FOR BIDS

To: *Elway Dairy*
P.O. Box 181
Sidney, YOUR STATE 29501

Date Issued:
September 5, 1985

Attention: *Lou Norton*

Telephone: *319-868-5900*

Item: Milk Products for Food Service

Type of Contract: Type 3 - ANNUAL FORMULA PRICING

Period: *Effective November 1, 1985 through October 31, 1986.*

Bid Opening: *October 5, 1984, 1:00 p.m. Public Opening, Westside School District Food Service Office, 200 Blacklick Road, Westside, YOUR STATE 29501*

Mail Bids To: *Hand deliver Sheets 1 and 2 only to the above address or mail to P.O. Box 220, Westside, YOUR STATE 29051*

ENVELOPE SHOULD BE PLAINLY MARKED "BID"
With date and time of opening.

Conditions: In strict accord with Sections I through VI.

Contracts: *If you have any questions concerning this invitation for bid, please phone Sherry Conrad, 310-727-7071.*

Note: *Italics to be filled in by school district*

Section I (Continued)

Date Bid Issued: September 5, 1985

BIDDING FIRM SUBMIT THE FOLLOWING:

Date Submitted:

Name of Firm Bidding: *Elway Dairy*
Signing Officer: *L. J. Norton, Vice President*
Telephone: *319-868-5900*

September 20, 1985

Our bid for products is as follows:

Section IV - Group G Milk Products

\$ 715,117.98

PLEASE SIGN HERE:

L. J. Norton, Vice President *September 20, 1985* *601-868-5900*
Signature and Title (Authorized Company Official) Date Telephone

Note: Please fill this sheet out in INK. If corrections are needed, cross out and initial.

DO NOT ERASE

SUBMIT SHEETS 1 and 2 AND SECTION IV.

Sheet 2

CONTRACT SECTION II
GENERAL BID AND CONTRACT REQUIREMENTS

SAME FOR ALL TYPES
OF CONTRACTS.

CONTRACT SECTION III - SPECIAL BID AND CONTRACT REQUIREMENTS¹

A. TYPE OF CONTRACT

Type 3 - MILK PRODUCTS - ANNUAL FORMULA PRICING

B. PRICES (Columns 4 - 6)

Bidders enter in the designated column, Section IV, a price per unit for each item shown. Multiply the price per unit times the total units required on each line and enter the extension in the designated column. Add all extensions to obtain a total bottom line price. Enter this number on the appropriate line in Section I Sheet 2.

C. PRICE ESCALATIONS²

All prices shall be firm for 30 days, after which prices for milk can escalate or deescalate in accord with changes in Class I raw milk prices based on monthly Federal Milk Order announcements for the applicable geographical zone. Prices for milk delivered can be escalated or deescalated at the rate of \$0.001 per half pint for each full \$0.15 increase in raw milk per hundred weight. Any changes (up or down) in price must be announced to school district officials by the 15th of the month preceding the month in which the change will occur. Any changes in prices must be accompanied by a copy of the Federal Milk Order. Suppliers are also requested to submit conversion calculations showing manner of arriving at amount of change. Whereas, the escalation formula contained herein should apply to 95% of the petitions for price escalation, allowances will be made for occasional add-on escalation of raw milk prices by local dairy farmers which are over and above the price escalations permitted by Federal Milk Orders.³

D. BID DISCLOSURE

Only bottom line bids, as pertains to the award of bids, will be read at the bid opening. However, all bids and prices shall be subject to review at the time of bid opening. Bids and invoices are subject to review after the bid opening only upon written formal petition to school district officials. Subsequent disclosure will be made only if in compliance with State laws and the Federal Freedom of Information Act.

¹ Section III of the Bid Document applies only to the type of contract designated in III A.

² See page 146 footnote 1, for allowances for processing losses.

³ Or in some cases state Milk Orders. (Hereafter inferred.)

E. DELIVERY SCHEDULE

Food service supervisors check appropriate boxes:

1. Deliveries shall be made on school days, Monday through Friday, on a regularly scheduled basis in accord with a schedule as follows:

Weekly	<input checked="" type="checkbox"/>
Twice-a-Week	<input checked="" type="checkbox"/>
Skip-a-Day	<input checked="" type="checkbox"/>
Daily	<input checked="" type="checkbox"/>

2. Deliveries shall be made between the hours of:

7 AM - 2 PM	<input checked="" type="checkbox"/>
Other	<input type="checkbox"/>

3. Drivers shall stock milk display cabinets and rotate stock:

No	<input checked="" type="checkbox"/>
Yes	<input checked="" type="checkbox"/>

4. Drivers shall leave milk cartons in master case when placing in cabinet:

Leave in	<input checked="" type="checkbox"/>
Remove	<input checked="" type="checkbox"/>

5. Milk companies shall be required to furnish milk cabinets:

Not Required	<input checked="" type="checkbox"/>
Required	<input checked="" type="checkbox"/>

6. Contract supplier shall pick up and credit milk on hand prior to school holidays or closings of longer than 5 days duration.

F. TRANSMITTAL OF ORDERS

Each cafeteria manager shall have written orders prepared for the driver on arrival the day of delivery.

G. PRODUCT SPECIFICATION

Fluid milk and milk products shall be manufactured and packaged as defined in the State Regulations Governing the Production and Sale of Milk and Milk Products, as published by the State Board of Health. Milk and milk products shall be pasteurized, homogenized and vitamin fortified.

Fluid milk shall be delivered at a temperature of 40°F or less. Any milk delivered at above 40°F may be rejected.

END SECTION III

CONTRACT SECTION IV - PRODUCT REQUIREMENTS

TYPE 3 CONTRACT - ANNUAL FORMULA PRICING

GROUP G - MILK PRODUCTS

Example of Product Bid List and Column Headings

No. 1	Identification 2	Unit 3	Unit Cost 4 \$	Units Required 5 No.	Total Item Cost 6 \$
G-125	Whole milk Homogenized Grade A 50/half pints	Case	7.39	21,000	155,190

List of Products
See USDA's Catalog of Specifications

Col. 5 - Estimated

TOTAL Column 6. \$210,406 *

All Items on Bid List

*Transfer to Sheet 2, Section I.

CONTRACT SECTION IV CONTINUED

Group G - Milk Products

LIST OF ITEMS - From Catalog of Specifications

NO.	IDENTIFICATION	NO.	IDENTIFICATION
<u>(1) - MILK</u>			
G105	BUTTERMILK Grade A, 50/half pint Unit: Case	G160B	CREAM, SOUR Quart Unit: Quart How Packed ?
G110	CHOCOLATE MILK Lowfat (2%), Grade A 50/half pint Unit: Case	G165A	CREAM, WHIPPING Half pint Unit: 1/2 Pint How Packed ?
G112	CHOCOLATE MILK Grade A, 3.5%, 50/half pint Unit: Case	G165B	CREAM, WHIPPING Pint Unit: Pint How Packed ?
G115	LOWFAT MILK Grade A, 2%, 50/half pint Unit: Case	G165C	CREAM, WHIPPING Quart Unit: Quart How Packed ?
G120	SKIM MILK Grade A, 50/half pint Unit: Case	<u>(2) - MILK SHAKES</u>	
G125	WHOLE MILK, HOMOGENIZED Grade A, 3.25%, 50/half pint Unit: Case	G203	CHOCOLATE, MILK SHAKE MIX 3.5% butterfat, Half gallon Unit: 1/2 Gallon How Packed ?
G130	WHOLE MILK, HOMOGENIZED Grade A, 3.25%, 9 half gallon Unit: Case	G205	VANILLA, MILK SHAKE MIX 3.5% butterfat, Half gallon Unit: 1/2 Gallon How Packed ?
G150	CREAM, HALF AND HALF Grade A, Quart Unit: Quart How Packed ?	<u>(3) - CHEESE</u>	
G160A	CREAM, SOUR Pint Unit: Pint How Packed ?	G303	COTTAGE CHEESE Large Curd, 5-lb. tub Unit: Tub
		G305	COTTAGE CHEESE Small curd, 5-lb. tub Unit: Tub

CONTRACT SECTION IV CONTINUED

INFORMATION FOR THE BUYER FOR GROUP G ITEMS¹

MILK PRODUCTS

An annual formula pricing type contract (Type III) is recommended for purchasing milk products. This contract is written for a school year and based on bottom line, with prices firm for at least 30 days. However, suppliers can petition for price escalations based on a specific formula, as indicated herein. Price escalation contracts have the advantage of minimizing risk to processors in that they are protected against increases in prices of raw material. On long range firm price bids, without escalation, processors often have to submit higher bids to protect against increases in raw material prices. Studies have shown that bid prices to school districts are higher when risk is present.

Formula pricing contracts are based on processors initiating petitions for price increases or decreases. Processors must submit justification for increases, as outlined in the contract documents. Annual audits are, therefore, unnecessary. Contract documents require processors to pass along price decreases as well as price increases.

PRICES

Milk prices charged by dealers under escalation contracts vary in accord with the cost of raw milk as regulated by the U.S. Department of Agriculture. Raw milk prices move up or down, nationally, on a periodical basis, in accord with Market Milk Orders. Although raw milk prices may vary nationally at the same rate, price levels differ from one milk order region or zone to another. All areas of the country are not under the milk order program (which is voluntary), but prices in areas which are excluded usually fluctuate in accord with "milk order prices". Raw milk, which determines the extent of price escalations on school district contracts, accounts for about two-thirds of the cost of products. Cost can be allocated as follows:

Raw Milk	64.5%
Processing & Packaging	14.5
Distribution, including	
Marketing	15.5
Administration &	
Overhead	<u>5.5</u>
TOTAL	100.0%

1 It is not necessary to include this section in Bid Documents.

INFORMATION FOR THE BUYER FOR GROUP G ITEMS (CON'T.)

According to the contract documents recommended for milk purchasing, price escalations are based on raw milk cost only. The formula permits an escalation (or de-escalation) at the rate of \$0.001 per half pint when the price of raw milk changes, up or down, by \$0.15 per hundred weight (cwt.). The minimum amount of a price change is \$0.001 per half pint, which means that prices of raw milk must go up at least 15 cents per cwt. for there to be an increase. Price increases can be calculated as follows:

At a price of 15¢ per $\frac{1}{2}$ pint (8 ounces) the cost attributable to raw milk is 9.7¢ (at 64.5%). 100 lbs. (cwt.) of milk yields 200 $\frac{1}{2}$ -pints at $\frac{1}{2}$ lb. (8 ounces) each. Thus $200 \times 9.7\text{¢}$ (of raw milk) yields \$19.40 as cost of raw milk per 100 lbs. (cwt.). If raw milk goes up 15¢ per cwt., this is an increase of \$0.008 (15¢ / \$19.55 new price of raw milk per 100 lbs). $\$0.008 \times 15\text{¢ per } \frac{1}{2}$ pint of milk delivered to schools is \$0.001 increase per $\frac{1}{2}$ pint.

Food service supervisors can track changes in milk supplies and price changes by subscribing to the monthly "Milk Market Summary Report". These reports can be obtained from THE USDA Milk Market Order Administrators located in your area.² By tracking milk order price changes, food service supervisors can determine if a price decrease is forthcoming as well as the amount of monthly price increases. However, milk dealers can be expected to notify school districts of price changes as soon as price changes for raw milk are authorized by the USDA.

BID PRICES

Bid prices may vary in accord with a dealer's processing and distribution costs, as well as the regulated prices paid for raw milk. Processing costs depend largely on volume, processing methods and labor costs - none of which can be influenced by a school district. Distribution cost, however, is another matter. Most of the costs incurred in distribution can be allocated to delivery, which includes the salary and commissions paid to driver-salesmen. The cost of distribution to schools might vary from 10 to 17 percent, depending on volume, delivery distance, frequency and size of delivery drops and the extent of other services required.

-
- 1 Actually 100 lbs. of raw milk converts into less than 200 $\frac{1}{2}$ -pints (8 ounces) because of processing shrinkage. However, shrinkage is considered to be a "processing cost" which should be covered in the bid price.
 - 2 See Appendix.

INFORMATION FOR THE BUYER FOR GROUP G ITEMS (CON'T.)

PRODUCT SPECIFICATIONS

Milk. Usually it is not necessary to write specifications for milk and ice cream, except to add that purchases are being made in accord with minimum state standards and to identify the product desired and contents properly, as may be applicable.

Although most states require that whole milk contain 3.25 percent milkfat, averages usually range somewhat higher, (3.5). Most milk must be pasteurized, homogenized and have Vitamin D added.¹ If other vitamins are added, the milk is labeled "Vitamin Fortified", or the vitamins are simply stated, i.e., A, D, etc. The term "standardized" is also used sometimes, which means that raw milk is blended and adjusted for fat content. (This is a standard procedure in milk processing.)

Cultured Buttermilk. Cultured buttermilk is produced by adding specific bacteria to skim milk or lowfat milk. Cream, small butter granules and salt may also be added. Most buttermilk contains from 1 to 2 percent milkfat (nominal 1.5 percent).

Yogurt. Yogurt is also a product which is cultured by the use of specific bacteria. This product is available in liquid or semi-solid form and may be flavored by adding fruit.

Skim Milk, Nonfat Milk and Lowfat Milk. If a milk "beverage" is labeled "nonfat" or "skim milk", it usually contains less than 0.5 percent milkfat. Lowfat milk contains between 1.5 and 2 percent milkfat. If nonfat dry milk is reconstituted and blended with fresh, lowfat or skim milk, the word "reconstituted" is added. Also, the term "fortified" or "milk solids added" is placed on the label.

Chocolate Milk or Dairy Drink. If chocolate (or other flavor) is added to whole milk, the product is labeled "chocolate (or other flavor) milk". If added to skim milk or lowfat milk, the product is labeled "chocolate (or other flavor) drink or beverage".

Creams. Products which are labeled "light cream" or "coffee cream" must be at least 18 percent milkfat. Whipping cream must be at least 30 percent milkfat. Half and half (cream) must be 10.5 percent milkfat. Milk solids are often added to "coffee creams" to enhance the color and consistency. Whipping creams vary in consistency in accord with the purpose intended. To produce normal whipped cream topping, purchase either whipping cream or heavy cream. For greater consistency, purchase extra heavy cream.

¹ Some states allow the sale of "raw" milk.

INFORMATION FOR THE BUYER FOR GROUP G ITEMS (CON'T.)

Milk Shake Mix. Some schools have facilities for freezing and dispensing soft-serve milk shakes (or ice cream). Milk shake mixes are added to fluid milk (or water) at the time of production in cafeterias. Mixes can be purchased with flavors, or flavors can be added (or increased) at the time of kitchen preparation.

Cottage Cheese. Cottage cheese comes in "small curd" or "large curd" and "creamy" (or creamed). Small curd cottage cheese has particles about one-eighth to one-fourth inch in diameter. Large curd cottage cheese has particles up to one-half inch. When a cream dressing and salt are added to the dried curd particles, it is referred to as "creamed" cottage cheese. Cottage cheese for food service is packed in rigid containers holding up to 30 pounds.

END SECTION IV

CONTRACT SECTION V
SCHOOL DELIVERY POINTS

AND

CONTRACT SECTION VI
LIST OF PREQUALIFIED DISTRIBUTORS

CONTRACT SECTION V - SAME AS FOR
OTHER TYPES OF CONTRACTS. FOOD
SERVICE SUPERVISORS MUST COMPILE
A SUITABLE LIST OF PREQUALIFIED
BIDDERS.

**CONTRACT DOCUMENTS
FOR ICE CREAM
TYPE 4**

PART 2 CONTINUED
DOCUMENTS FOR ANNUAL CONTRACT BASED ON
FORMULA PRICING

THESE DOCUMENTS CAN BE USED
FOR BIDDING PURPOSES WITH
ONLY SLIGHT MODIFICATIONS.

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WESTSIDE SCHOOL DISTRICT
Food Service Office
200 Blacklick Road
Westside, YOUR STATE 29501

TYPE 4 CONTRACT
FOR
ICE CREAM PRODUCTS

CONTRACT SECTION I - INVITATION FOR BIDS

To: Better Fresh Ice Cream Co.
P.O. Box 190
Belmont, YOUR STATE 29407

Date Issued:
September 5, 1985

Attention: Terrence Bradley

Telephone: 319-464-5510

Item: Ice Cream Products for Food Service

Type of Contract: Type 4 - ANNUAL FORMULA PRICING

Period: Effective November 1, 1985 through October 31, 1986.

Bid Opening: October 5, 1984, 1:00 p.m. Public Opening, Westside
School District Food Service Office, 200 Blacklick
Road, Westside, YOUR STATE 29501

Mail Bids To: Hand deliver Sheets 1 and 2 only to the above
address or mail to P.O. Box 220, Westside, YOUR STATE 29051

ENVELOPE SHOULD BE PLAINLY MARKED "BID"
With date and time of opening.

Conditions: In strict accord with Sections I through VI.

Contracts: If you have any questions concerning this invitation
for bid, please phone Sherry Conrad, 310-727-7071.

Note: *Italics* to be filled in by school district

Contract Section I (Continued)

Date Bid Issued: September 5, 1985

BIDDING FIRM SUBMIT THE FOLLOWING

Date Submitted:

Name of Firm Bidding: Better Fresh Ice Cream Co.

September 20, 1985

Signing Officer: Terrence Bradley

Telephone: 319-464-5510

Our bid for products is as follows:

Section IV - Group H Ice Cream Products

\$11,819.11

PLEASE SIGN HERE:

Terrence Bradley, Vice President

Signature and Title (Authorized Company Official)

Sept. 20, 1985

Date

601-464-5510

Telephone

Note: Please fill this sheet out in INK. If corrections are needed, cross out and initial.

DO NOT ERASE

SUBMIT SHEETS 1 and 2 AND SECTION IV.

CONTRACT SECTION II
GENERAL BID AND CONTRACT REQUIREMENTS

SAME FOR ALL TYPES
OF CONTRACTS.

CONTRACT SECTION III - SPECIAL BID AND CONTRACT REQUIREMENTS¹

A. TYPE OF CONTRACT

Type 4 - ICE CREAM PRODUCTS - ANNUAL FORMULA PRICING

B. PRICES

Bidders enter in the designated column, Section IV, a price per unit for each item shown. Multiply the price per unit times the total units required on each line and enter the extension in the designated column. Add all extensions to obtain a total bottom line price. Enter this number on the appropriate line in Section I, Sheet 2.

C. PRICE ESCALATIONS

All prices must be firm for 60 days. Prices can escalate only when petitions for escalation are approved by school district officials. Petitions for price escalations can be submitted only on the basis of increases in cost of raw material, i.e., milk fat, serum (non-fat) milk solids and sugar. Petitions for price increases must be supported by evidence of price increases of raw material. Ice cream manufacturers shall submit copies of invoices and/or USDA market news reports in support of petitions. Ice cream manufacturers must submit formula calculations to justify the amount of price increase as related to cost of raw material. Petitions for price increases of less than \$0.05 per wholesale unit will not be considered.

D. BID DISCLOSURE

Only bottom line bids, as pertain to the award of bids, will be read at the bid opening. However, all bids and prices shall be subject to review at the time of bid opening. Bids and invoices are subject to review after the bid opening only upon written formal petition to the school district officials. Subsequent disclosure will be made only if in compliance with State laws and the Federal Freedom of Information Act.

E. DELIVERY SCHEDULE

1. Deliveries shall be made on a regularly scheduled basis to each school as ordered, Mondays through Fridays, except school holidays and closing days (due to inclement weather). Deliveries shall be made between the hours of 7 AM and 2 PM.

¹ Section III of the Bid Document applies only to the type of contract designated in III A.

Food service supervisors check appropriate boxes:

2. Drivers shall be required to stock ice cream in display cabinets and rotate stock.

Not Required



Required

3. Ice cream companies shall be required to furnish ice cream cabinets.

Not Required



Required

F. TRANSMITTAL OF ORDERS

Orders shall be called in 72 hours in advance of delivery.

G. PRODUCT SPECIFICATIONS

The ice cream products (frozen dessert items) required herein shall conform to the State Frozen Dessert Act and to the provisions of the U.S. Food and Drug Administration, Title 21, Food and Drug, part 135, subpart B "Requirements for Specific Standardized Frozen Desserts," with exceptions as noted.

Juice bars shall either have a CN Label or the manufacturer shall provide a certificate declaring that these items have at least 2 ounces of single strength fruit juice.

Ice cream suppliers who do not normally stock juice bars will have to either purchase them from manufacturers or petition school district officials to remove these items from the bid list prior to bid opening.

END SECTION III

CONTRACT SECTION IV - PRODUCT REQUIREMENTS

TYPE 4 CONTRACT - ANNUAL FORMULA PRICING

GROUP H - ICE CREAM

Example of Product Bid List and Column Headings

No. 1	Identification 2	Unit 3	Unit Cost 4 \$	Units Required 5 No.	Total Item Cost 6 \$
H155	Ice Cream, Cups, Vanilla, 12/3 oz.	Doz.	4.23	7,000	26,610

List of Products
See USDA's Catalog of Specifications

Col. 5 - Estimated

TOTAL Column 6 \$79,014⁰⁰ *

All Items on Bid List

* Transfer to Sheet 2, Section I

CONTRACT SECTION IV CONTINUED

Group H - Ice Cream Products

LIST OF ITEMS

From Catalog of Specifications

NO.	IDENTIFICATION	NO.	IDENTIFICATION
(1) - ICE CREAM		H205	DRUMSTICKS 2 doz./pkg. Unit: Dozen
H101A	ICE CREAM, BULK Chocolate, 3 gallon Unit: 3 Gallon	H215	FUDGESICLE 2 doz./pkg. Unit: Dozen
H101B	ICE CREAM, BULK Vanilla, 3 gallon Unit: 3 Gallon	H220	HEATH BARS 2 doz./pkg. Unit: Dozen
H120A	SHERBET, BULK Orange, 1/3 gallon Unit: 3 Gallon	H222	ICE CREAM BARS 2 doz./pkg. Unit: Dozen
H155	ICE CREAM, CUPS, VANILLA 12/3 oz. Unit: Dozen	H223A	ICE CREAM SLICES Chocolate, Wrapped, 48/pkg. Unit: Package
H157	ICE CREAM, CUPS, CHOCOLATE 12/3 oz. Unit: Dozen	H223B	ICE CREAM SLICES Vanilla, Wrapped, 48/pkg. Unit: Package
H159	ICE CREAM, CUPS, VANILLA 12/5 oz. Unit: Dozen	H225	ICE CREAM SANDWICHES, VANILLA 3 doz./pkg. Unit: Package
H161	ICE CREAM, CUPS, CHOCOLATE 12/5 oz. Unit: Dozen	H230	ICE CREAM SANDWICHES, CHOCOLATE 3 doz./pkg. Unit: Package
(2) - NOVELTIES		H240	KERNEL CRUNCH 2 doz./pkg. Unit: Package
H202	CREAMSICLE 1 doz./pkg. Unit: Dozen	H250	JUICE BARS, APPLE-CHERRY Must provide 2 oz. single strength juice, 80/3 oz. Unit: Case
H204	DOUBLE DELITE OR SIDEWALK SUNDAE 1 doz./pkg. Unit: Dozen		

GROUP H ICE CREAM

PRODUCT LIST

NO.	IDENTIFICATION	NO.	IDENTIFICATION
------------	-----------------------	------------	-----------------------

(2) - NOVELTIES

H255 JUICE BARS, FRUIT PUNCH
Must provide 2 oz. single
strength juice, 80/3 oz.
Unit: Case

H260 JUICE BARS, GRAPE
Must provide 2 oz. single
strength juice, 80/3 oz.
Unit: Case

H265 JUICE BARS, ORANGE
Must provide 2 oz. single
strength juice, 80/3 oz.
Unit: Case

CONTRACT SECTION IV CONTINUED

INFORMATION FOR THE BUYER¹

ICE CREAM PRODUCTS

Technically, items in this food group are more accurately defined as "frozen desserts," since this is the classification term used in state and federal standards. The term "frozen desserts" indicates that some items included in this group, technically, are not ice cream. The term "ice cream" is used herein because this expression is more familiar to food service supervisors.

Included in this group are items such as portion cups of ice cream, ice cream sandwiches and juice bars. Although juice bars are normally purchased from ice cream producers, they may be purchased from frozen food distributors. Ice cream products may be used only occasionally in schools and are ordered only as needed. Orders are placed several days in advance of usage for delivery the day prior to serving. Inventories are not retained for more than a few days.

PRICES

Whereas prices for fluid milk in cartons can be tied closely to prices for raw milk as delivered to processing plants, prices for ice cream products have a more complex basis. Prices of ice cream products are tied to prices of milkfat, serum (non-fat) solids from milk, and sugar. Milk-based products (milkfat and serum) constitute about 23 percent of an ice cream (base) mix. Sugar constitutes about 15 percent². The addition of wafers to make ice cream sandwiches compounds the cost picture. Moreover, the prices of 3-ounce juice bars, which must contain 2 ounces of single strength fruit juice³, are closely tied to fluctuations in the price of fruit juice and sugar.

An Annual Formula Pricing (Type III) contract is recommended for Ice Cream Products because the small volume of purchases hardly makes it worthwhile to go through a bidding process more frequently. Another reason for using this type of contract is that ice cream manufacturers, in order to survive, keep detailed records of ingredient costs for the purposes of price management, and therefore tracking costs should be simple.

¹ It is not necessary to include this section in the Bid Document.

² Based on national data. The choice and percent of dairy ingredients affects the quality and cost of ice cream.

³ In accord with CN (child nutrition) requirements.

INFORMATION FOR THE BUYER (CON'T.)

Under the formula pricing plan, ice cream prices can be increased only upon petition by a contractor. Suppliers are required by contract to submit proof of price increases of raw material only. Price escalation will not be permitted for increases in processing, distribution and overhead costs. Proof of price increases of milk-based products can be in terms of USDA Market Orders or news reports. Proof of price increases in sugar or fruit juices must be by last invoice.

Suppliers are required to submit conversion calculations to show justification of price increases as related to the amount of increases in prices of raw material. All prices, however, must be firm for 60 days and price escalation of less than \$0.05 per unit of sale (dozen) will not be considered. Prices can be escalated only if approved by school district officials.

Petitions for price escalation under this type of contract are likely to occur only about once or twice a year. Meanwhile, the contract encourages low bid prices because the supplier is protected against high level price escalation on raw material.

MINIMIZING COST

As with milk, the cost of delivering ice cream to schools is influenced by volume, service and constraints imposed by delivery circumstances. The item which contributed most to high distribution cost is the practice of requiring ice cream dealers to supply and/or stock ice cream display cabinets.

The furnishing of ice cream cabinets by suppliers adds materially to the cost of the product over the long run. Eventually, ice cream suppliers are likely to phase out the practice of furnishing cabinets to schools. This practice has long been discontinued in the private and institutional sectors. To minimize the future cost of ice cream products, school districts are obligated to consider purchasing ice cream display units¹. Small display units can be purchased and back-up stock held in walk-in freezers for a few days, provided the temperature in these units is held at zero or below. When ice cream is put into a holding freezer, the thermostat should be set below zero and the product placed near the coils.

¹ Used display cabinets may be available at modest cost through ice cream dealers.

INFORMATION FOR THE BUYER (CON'T.)

PRODUCT SPECIFICATIONS

Ice Cream Products. The quality of ice cream is related to density (weight per gallon) and the quantity and quality of ingredients. Although the percentage of milkfat is important, it is not necessarily the deciding factor. However, from the standpoint of milkfat content, there are three quality ranges: Average 10 percent, 12 percent and 15 percent. As the fat content and flavoring are increased the weight per gallon is increased.

Variations. In addition to dairy products, ice cream usually includes sweetening and flavoring products, stabilizers and emulsifiers, or fruits may also be added. Fancy (French style) ice cream usually contains eggs and may have a deep, rich color.

Ice cream for schools is usually purchased in individual cups in accord with the minimum standards as authorized by State regulations. Unless a higher quality is desired, it is unnecessary to specify percent milkfat, weight content per gallon or quality of flavoring. For example, vanilla ice cream can be specified as vanilla, vanilla flavored, artificially flavored vanilla, or artificial vanilla. Fruit can be specified in a similar manner.

CONTRACT SECTION V
SCHOOL DELIVERY POINTS

AND

CONTRACT SECTION VI
LIST OF PREQUALIFIED DISTRIBUTORS

CONTRACT SECTION V - SAME AS FOR
OTHER TYPES OF CONTRACTS. FOOD
SERVICE SUPERVISORS MUST COMPILE
A SUITABLE LIST OF PREQUALIFIED
BIDDERS.

**CONTRACT DOCUMENTS
FOR FRESH BAKERY PRODUCTS
TYPE 5**

PART 2 CONTINUED
DOCUMENTS FOR ANNUAL CONTRACT BASED ON
FORMULA PRICING

THESE DOCUMENTS CAN BE USED
FOR BIDDING PURPOSES WITH
ONLY SLIGHT MODIFICATIONS

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WESTSIDE SCHOOL DISTRICT
Food Service Office
200 Blacklick Road
Westside, YOUR STATE 29501

TYPE 5 CONTRACT
FOR
BAKERY PRODUCTS

CONTRACT SECTION I - INVITATION FOR BIDS

To: *Bestway Bakery*
P.O. Box 903
Wadsworth, YOUR STATE

Date Issued:
September 5, 1985

Attention: *Louise Bachelder*

Telephone: *601-770-4300*

Item: *Bakery Products for Food Service.*

Type of Contract: *Type 5 - ANNUAL FORMULA PRICING*

Period: *Effective November 1, 1985 through October 31, 1986.*

Bid Opening: *October 5, 1984, 1:00 p.m. Public Opening, Westside School District Food Service Office, 200 Blacklick Road, Westside, YOUR STATE 29501*

Mail Bids To: *Hand deliver Sheets 1 and 2 only to the above address or mail to P.O. Box 220, Westside, YOUR STATE 29051*

ENVELOPE SHOULD BE PLAINLY MARKED "BID"
With date and time of opening.

Conditions: *In strict accord with Sections I through VI.*

Contracts: *If you have any questions concerning this invitation for bid, please phone Sherry Conrad, 310-727-7071.*

Note: *Italics to be filled in by school district.*

Contract Section I (Continued)

Date Bid Issued: September 5, 1985.

BIDDING FIRM SUBMIT THE FOLLOWING:

Name of Firm Bidding: *Bestway Bakery*

Date Submitted:

Signing Officer: *Louise Bachelder*

September 20, 1985

Telephone: *319-770-4300*

Our bid for products is as follows:

From Section IV - Group J Bakery Products. \$ *53,789.57*

PLEASE SIGN HERE:

Louise Bachelder, Vice President *Sept. 20, 1985* *601-770-4300*
Signature and Title (Authorized Company Official) Date Telephone

NOTE: Please fill this sheet out in INK. If corrections are needed, cross out and initial.

DO NOT ERASE

SUBMIT SHEETS 1 and 2 AND SECTION IV.

CONTRACT SECTION II
GENERAL BID AND CONTRACT REQUIREMENTS

SAME FOR ALL TYPES
OF CONTRACTS.

CONTRACT SECTION III - SPECIAL BID AND CONTRACT REQUIREMENTS^{1/}

A. TYPE OF CONTRACT

Type 5 - BAKERY PRODUCTS - ANNUAL FORMULA PRICING

B. INSTRUCTIONS FOR FILLING IN SECTION IV

1. PRICES

Bidders enter in the designated column, Section IV, your price per unit for each item shown. Multiply the price per unit times the total units required on each line and enter the extension in the designated column. Add all extensions to obtain a total bottom line price. Enter this number on the appropriate line in Section I, Sheet 2.

2. PRICE ESCALATIONS

All prices shall be firm for 90 days, after which prices may be changed up or down in accord with changes in the cost of flour, f.o.b. the bakery. Bread prices can change at the same rate as flour on the basis that one pound of bread, hamburger buns or hot dog rolls requires .622 pounds of flour. If, at bid time, flour cost 11.056¢ per pound or 6.88¢ for .622 pounds, a 10 percent increase in the cost of flour would be .69¢ per one pound of bread. If the bid price of bread is 36¢ per pound, the price could be escalated to 36.69¢. Petitions for price escalation must be substantiated by invoices at time of bid and at time of petition for escalation. Petitions for price escalations must be approved by school district officials.

3. PACK SIZE

If you wish to offer a pack size which is different from the pack size shown, state the size offered, convert the number of units to conform to your pack size and enter this information on the form.

C. BID DISCLOSURE

Only bottom line bids, as pertain to the award of bids, will be read at the bid opening. However, all bids and prices shall be subject to review at the time of bid opening. Bids and invoices are subject to review after the bid opening only upon written formal petition to the School District Board of Trustees. Subsequent disclosure will be made only if in compliance with State laws and the Federal Freedom of Information Act.

^{1/} Section III of the Bid Document applies only to the type of contract designated in III A.

D. DELIVERY SCHEDULE

Deliveries shall be made to each school on a regularly scheduled basis, Mondays through Fridays, except school holidays and closing days (due to inclement weather). Deliveries shall be made between the hours of 7 AM and 2 PM, as follows:

Weekly	<input checked="" type="checkbox"/>
Twice-a-Week	<input checked="" type="checkbox"/>
Skip-a-Day	<input checked="" type="checkbox"/>

E. TRANSMITTAL OF ORDERS

Orders for bakery products shall be placed by telephone 72 hours in advance of delivery.

F. PRODUCT SPECIFICATION

All bread shall be made from white flour (unless specified otherwise) and enriched according to U.S. Government standards and shall meet the requirements of the State with respect to quality and wholesomeness.

END SECTION III

CONTRACT SECTION IV - PRODUCT REQUIREMENTS

TYPE 5 CONTRACT - ANNUAL FORMULA PRICING

GROUP J - FRESH BAKERY PRODUCTS

Example of Product Bid List and Column Headings

No. 1	Identification 2	Unit 3	Unit	Units	Total
			Cost 4 \$	Required 5 No.	Item Cost 6 \$
J114A	Bread, Sandwich Loaf, 20 oz. Pullman 4½ x 4½, 28 slices plus ends.	Loaf	.71	61,300	43,523. ⁰⁰

List of Products
See USDA's Catalog of Specifications

Col. 5 - Estimated

Total Column 6.	\$108,415. ⁰⁰	*
All Items on Bid List		

* Transfer to Sheet 2, Section I.

GROUP J - FRESH BAKERY PRODUCTS

LIST OF ITEMS

From Catalog of Specifications

No.	IDENTIFICATION	No.	IDENTIFICATION
(1) - FRESH BAKERY PRODUCTS			
J104	BREAD, FRENCH 1 lb. loaf Unit: Loaf How Packed ?	J136	BUNS, FOOT LONG 10/9 inch/pkg. Unit: Package
J108	BREAD, ITALIAN 1 lb. loaf 18 slices plus ends Unit: Loaf	J139	BUNS, HOT DOG 12/6 inch long Unit: Dozen
J112	BREAD, RYE 28 slices plus ends Unit: Loaf	J155	ROLLS, CLUSTER Sandwich Split 12/3 inch diameter Unit: Dozen
J114A	BREAD, SANDWICH LOAF 20-oz. Pullman, 4-1/2 x 4-1/2, 28 slices plus ends Unit: Loaf	J160	ROLLS, DINNER Cluster Pack, 12/pkg Institutional pack Unit: Package
J114B	BREAD, SANDWICH LOAF 24-oz. Pullman, 4-1/2 x 4-1/2 28 slices plus ends Unit: Loaf	J165	MUFFINS, ENGLISH 3-1/2 inch diameter 24 oz./dozen 12/pkg Unit: Package
J118	BREAD, WHEAT 28 slices plus ends Unit: Loaf	J170	ROLLS, HARD Unsplit, 12/pkg Unit: Package
J124	BUNS, HAMBURGER 12/3-1/2 inch each, Institutional pack Unit: Dozen	J175	ROLLS, HOAGIE OR SUBMARINE Split, Soft french dough Max 8 inch length 36 oz./dozen Unit: Dozen
J127	BUNS, HAMBURGER 12/4 inch/pkg. Institutional pack Unit: Dozen	J180	ROLLS, PAN 12 oz./dozen 24/pkg Unit: Package
J132	BUNS, CONEY 12/5 inch long Unit: Dozen	J185	ROLLS, SESAME Split, 4 inch diameter 12/pkg Unit: Package

GROUP J BAKERY PRODUCTS (Con't.)

PRODUCT LIST

No.	IDENTIFICATION	No.	IDENTIFICATION
-----	----------------	-----	----------------

(1) - FRESH BAKERY PRODUCTS

J190	ROLLS, SHEET Min. 12 oz./dozen 24/pkg Unit: Package
------	---

J195	ROLLS, STEAK WITH SESAME SEED 4-1/2 x 2-1/2 inch, 6/pkg Unit: Package
------	---

CONTRACT SECTION IV CONTINUED

INFORMATION FOR THE BUYER FOR GROUP J ITEMS¹

FRESH BAKERY PRODUCTS

Included in this group are fresh baked hamburger buns, hot dog rolls and loaf bread supplied by "local" bakeries. Deliveries are made weekly, or more often, from orders placed in advance by telephone. Although bakery products are considered to be "best when fresh," most items will remain in good condition for a week or longer if kept at room temperature. Most bakery products go stale faster if refrigerated. However, freezing will lengthen the keeping time. Frozen bakery items will return to room temperature within a few hours after removing from a freezer. However, for best results, use thawed products shortly after they reach room temperature, or certainly within 24 hours.

PRICES

The prices of loaf bread and rolls are tied closely to the cost of flour which is comparatively stable over the short run. Flour accounts for 21.5 percent of the wholesale price of a loaf of bread. Thus, the balance of 78.5 percent is chargeable to processing (baking), which includes other bread ingredients² and distribution costs. About 42 percent of the balance of 78.5 percent can be assigned to in-plant costs and the other 36.5 percent to distribution costs, depending on how the costs are assigned, local labor costs and overhead.

When purchased on Annual Formula Pricing contracts, the price of one pound of bread (loaf bread, hamburger and hot dog rolls) can be increased (or decreased) at not less than 90-day intervals by the amount of increase in flour cost over the period. Increases would have to be justified by invoices for flour f.o.b. the bakery. Petitions for price increases would have to be substantiated by the last invoices at time of bid and at the end of the 90-day petition period.

According to current USDA statistics, a pound of bread requires .622 pounds of flour at a cost of 6.91¢, or 11.056¢ per pound³. Thus, a 10 percent increase in the cost of flour would equate to .69¢ per pound of bread. A pound of bread at a price of 36¢ could therefore be escalated to 36.69¢. However, petitions for price escalations are subject to approval by school district officials.

1 It is not necessary to include this section in the Bid Document.

2 Lard, soybean oil, high fructose syrup, other corn syrup, soy, whey blend, yeast, yeast food, salt, etc.

3 Based on the Wheat Outlook and Situation Report for 1984, as established by data from July through September of 1983, U. S. Department of Agriculture, Economic Research Service.

CONTRACT SECTION V
SCHOOL DELIVERY POINTS

AND

CONTRACT SECTION VI
LIST OF PREQUALIFIED DISTRIBUTORS

CONTRACT SECTION V - SAME AS FOR
OTHER TYPES OF CONTRACTS. FOOD
SERVICE SUPERVISORS MUST COMPILE
A SUITABLE LIST OF PREQUALIFIED
BIDDERS.

Part 3

- REVIEWING, AUDITING AND MONITORING CONTRACTS

REVIEWING, AUDITING AND MONITORING CONTRACTS

Once a contract has been awarded to a supplier on an annual basis, it is necessary to monitor, review and audit performances and his cost prices (costs). The method of monitoring performance by contractors (distributors) is about the same for every type of contract, i.e. reimbursable cost or formula buying. However, the method and extent of cost price reviews and audits are somewhat different for reimbursable cost contracts.

MONITORING PERFORMANCES

Improper Deliveries. There are a number of ways that distributors perform below the levels expected, but the most common breakdown is failure to make proper deliveries. Outages upset food service personnel and rightly so. Sometimes out of stock situations can be helped by shipping a mutually agreed upon substitute. Substitutions can be based on common sense, e.g., peas for beans; or in the case of more complex situations, e.g., chicken for beef, substitutions can be handled by a telephone call from the supplier, prior to delivery.

Shortages, due to mistakes in order picking or loading or off-loading delivery vehicles, are a source of irritation. Repeated occurrences can cause turmoil in cafeteria operations.

When shortages occur, the distributor should be prepared to make same-day or next-day delivery if requested. Shortages should be acknowledged by the driver, who should issue a credit, either in terms of a credit slip or a notation on the invoice.

Containers which are severely or questionably damaged should be returned. However, modest damage such as a torn master carton or slightly dented can or smudged label should be accepted. But any can which is dented on a seam should be rejected.

Product Breakdown. The second most common performance discrepancy occurring with contract distributors is breakdown in product performance. Breakdowns are most likely to occur with formulated or manufactured items. More than likely these breakdowns occur at the packing level, but it is the distributor's responsibility to act immediately on the matter and either have the issue resolved or find an adequate substitute. Breakdowns might occur even though the product meets specifications and passes the necessary kitchen tests initially. The worst thing that can happen is apathy on the part of distributors, who may fail to take necessary action to remedy such discrepancies.

Another type of product breakdown can also occur through improper product protection. This is especially critical with chilled and frozen items and dried items such as flour and cornmeal, which are subject to infestation.

Erratic Deliveries. The third most common performance problem encountered with contractors' performances is failure to deliver on schedule. Distributors should provide food service supervisors with delivery schedules as to day and time (with a two-hour time frame, if practical; i.e., between 7 and 9 AM) and adhere to this schedule as closely as possible. Sometimes, however, the best laid plans go astray. If a delivery is running off schedule, the food service supervisor should be called either by shipping the shipping supervisor or delivery driver.

Inaccurate Paperwork. Food service operators require and are entitled to accuracy in invoices (delivery tickets), credits, statements, prices, quantities and usage reports. Good computerization programs help promote such accuracy. Distributors need to computerize tracking procedures correctly when dealing with reimbursable cost plus fixed fee contracts, since they must provide prompt and dependable information relating to cost price changes.

Poor Communications. Since contract purchasing is based on mutual trust and confidence between buyer and seller, it is important for a contract distributor to maintain this relationship by a high level of performance. Good communications are the key to success, particularly in situations in which there are deviations from the norm. For example, food service people get upset when they receive a "strange" brand of an item without explanation, particularly if they are also charged a higher price. Moreover, "account executives" should stop by occasionally to chat about overall performance and encourage feedback. These visits should also be coupled with discussions concerning new items or new ideas.

Recourse. The degree of success of contract buying rests mainly on a distributor's ability to "deliver" as promised. Contract buying cannot survive under anything less. Therefore, future prequalified bid lists should include only those firms which have either proven that they can perform adequately or offer the promise of adequate performance. Any distributor who fails the system by poor performance should be removed from the bid list, immediately, for at least one year, or even longer if that distributor's ability to perform adequately is still in question.

School District Performance: The success level of contract purchasing relies not only on a distributor's performance, but also on the performance of school districts, particularly the school food service program personnel. Accordingly, cooperation is a two-way street. For example, if a distributor declines to bid, the reasons must be determined and rectified. To promote competition and establish contract buying as a reliable plan, food service supervisors must avoid imposing constraints such as the following:

- (a) Unfair product specifications or unfair awards.
- (b) Restricted delivery hours and excessive detention of drivers.
- (c) Failure to adhere to the exclusivity rule by spot buying from others.
- (d) Inadequate estimates of quantity requirements, particularly on items not easily marketable elsewhere.
- (e) A lack of confidence in mutual cooperation, particularly with respect to communications and the transmitting of orders.
- (f) Delaying payments.

Cancellation: Purchasing contracts can be cancelled at any time for cause, as set forth in Section II of the contract documents. The only required course of action is that the contractor be notified in writing, with the specific causes of cancellation stated. See Examples 8, 9 and 10. The only variable is the time frame, which depends on the urgency of the matter. Where cases of neglect or nonperformance are critical, cancellations can be made within 24 hours; however, at least two weeks' notice is preferred.

The best course of action is to write a letter of "Intent to Cancel" and give the supplier two weeks to "shape up." See Example 9. In the event of cancellation, the contract can be awarded to the next lowest bidder, after proper notification and mutual concurrence.

Extension: Contracts may be extended for 60 days provided that the contract distributor maintains fees at the previous level for the extension period. Previous bidders, however, should be notified of the extension and the terms thereof. See Example 11. Extension should be granted only under special circumstances.

YOUR STATIONERY

EXAMPLE 8

WESTSIDE SCHOOL DISTRICT
200 Backlick Road
Westside, YOUR STATE 29104

Telephone:
319-727-7071

December 5, (Year)

Tri-Tex Foods
727 Adelai Street
Birdsong, YOUR STATE

Gentlemen:

We are very disturbed about the substitutions, outs and errors that have been made on our orders. I have had to call about these problems after delivery. I am not being notified in advance about them. (See Section II A 5 of the Contract). A partial list of specific incidents follows:

<u>Invoice No.</u>	<u>Incident</u>
#10690-1	Out one item.
#12173-1	Out one item.
#12975-1	Out two items, shipped wrong chicken patty -- ordered Tyson 2407, received Tyson 2402.
#10831-1	Out two items.
#15394-1	Substitute without permission.
#10832-1	Out one item.
#12076-1	Out one item, shipped wrong chicken patty.
#12974-1	Shipped wrong chicken patty.
#10830-1	Out one item.

We expect an immediate correction of this situation. Failure to do so would be considered to be a breach of contract and could result in cancellation.

Sincerely,

Sherry Conrad
Food Service Supervisor

YOUR STATIONERY

EXAMPLE 9

WESTSIDE SCHOOL DISTRICT
200 Backlick Road
Westside, YOUR STATE 29104

Telephone:
319-727-7071

December 18, (Year)

Tri-Tex Foods
727 Adelai Street
Birdsong, YOUR STATE 29507

Re: Notice of Intent to Cancel Contract

Gentlemen:

We propose to cancel our current purchasing contract with your firm effective January 5, 1985, unless within two weeks from the date of this letter you can show just cause why this action should not be taken. This action is based on poor contract performance, as follows:

- ☒ Excessive out-of-stock.
- ☒ Excessive product substitutions.
- ☒ Excessive errors in filling orders.
- ☐ Inadequate product protection.
- ☐ Inadequate delivery equipment or warehouse facilities.
- ☐ Failure to deliver supplemental or accessory items.
- ☐ Failure to adhere to delivery schedule on a reasonable basis.
- ☐ Errors in pricing and issuing credits.
- ☐ Poor communications.
- ☐ Other _____.

See our letter of December 5, for examples of specific occurrences. However, we hope that your performance can be quickly upgraded so that the contract can be continued.

Very truly yours,

Sherry Conrad
Food Service Supervisor

YOUR STATIONERY

EXAMPLE 10

WESTSIDE SCHOOL DISTRICT
200 Backlick Road
Westside, YOUR STATE 29104

Telephone:
319-727-7071

January 6, (Year)

Tri-Tex Foods
727 Adelai Street
Birdsong, Mississippi 29507

Re: Contract Cancellation

Gentlemen:

This is a confirmation of our recent telephone conversation. Please be notified that our food purchasing contract which was due to expire on October 31, 1986, is hereby cancelled effective January 21, 1985 for reasons as checked below:

- ☒ Excessive out-of-stock.
- ☒ Excessive product substitutions.
- ☒ Excessive errors in filling orders.
- ☐ Inadequate product protection.
- ☐ Inadequate delivery equipment or warehouse facilities.
- ☐ Failure to deliver supplemental or accessory items.
- ☐ Failure to adhere to delivery schedule on a reasonable basis.
- ☐ Errors in pricing and issuing credits.
- ☐ Poor communications.
- ☐ Other _____.

See out letter dated December 5 (Year) for specific occurrences. This cancellation is in concurrence with the terms of the Contract Documents. See Notice of Intent dated December 18, (Year).

Very truly yours,

Sherry Conrad
Food Service Supervisor

Y O U R S T A T I O N E R Y

EXAMPLE 11

WESTSIDE SCHOOL DISTRICT
200 Backlick Road
Westside, Your State 29104

Telephone:
319-727-7071

September 1, (Year)

Associated Foods, Inc.
Post Office Box 741
Bancroft, Mississippi 39402

Re: Contract Extension

Gentlemen:

As per our recent conversation, the current in-place Food Purchasing Contract is hereby extended for another 60-day period, from October 31 to December 31. This extension is based on service fees (or formula pricing) remaining in effect until December 31. The purpose of this extension is to provide additional time in preparing new bid documents.

If you concur with the terms of this extension, please indicate your acceptance by signing this letter in the space provided below and return to our office by September 12.

Very truly yours,

Sherry Conrad
Food Service Supervisor

cc: To Prequalified Bid List

Accepted for Associated Foods

Title and Date

PACKAGE CODING

Food Packages (cans and cartons) have a code marked on the container. Initially the code was intended to enable a trace to be put on a product in the event of questionable performance. A code J5W27 might mean:

J = October
5 = 1985
W = Wasan, Wisconsin Plant
27 = 27th day of October

If a number, e.g. 137, is added this might mean lot no. 137 which also designates the product in the container.

The only way a buyer can decipher codes is to possess code explanations for each manufacturer. However, it is only necessary to interpret a code in the event a question arises concerning the validity of a product. In recent years packers have been adding more information to cans and cartons relating to "shelf life." For example packers are required to place "sell by" dates on milk cartons. This simply means that if held at recommended temperatures the milk should be sold by the date indicated to allow enough time to conveniently utilize the milk.

Some packers voluntarily put "use by" or "Best if used by" dates on their cans and cartons. For example a can of pork & beans packed in February, 1985 might state "Best if used by December, 1987." Since food service managers have rapid turnover of products coming into their kitchens, complications are avoided provided that perishable products are held at proper temperatures, and used in the prescribed time, particularly highly perishable items, which have a short shelf life.

If purchases of frozen and staple items are made from a high volume distributor the chances are excellent that he also has a high rate of turnover, particularly on popular items, and practices FIFO stock rotation, i.e. FIRST IN, FIRST OUT.

However, it is a good practice for kitchen employees to check the coding on packages as they are opened to ascertain if the use of a product is within the confines of the "USE BY" dates. If not, and if this out of date situation appears on other samples, it may mean that a supplier is using you to unload old products. This is grounds for an immediate complaint.

If any products cause a problem of concern your distributor should be contacted at once. You must, however, provide him with the brand and code designations on the cans or cartons. Although master cartons (cases) carry product codes they do not normally carry date and source code information.

REVIEWS AND AUDITS

Reviews and audits of prices for grocery, meat and produce contracts require more attention than for milk, ice cream or bakery contracts. The reason for this is that the latter group has fewer items and less price fluctuations. Since groceries, meats and produce are supplied in terms of reimbursable cost plus a fixed fee, it is necessary to review and audit invoices in terms of changes in cost prices.

The only way prices can change in a Formula Pricing Contract is for a supplier to present evidence of changes in prices of raw materials in accord with a preapproved formula. See Sections II for milk, ice cream and bakery products. The following discussion, therefore, pertains solely to the auditing of reimbursable cost-plus contracts for meats, groceries and produce. For directions on tracking price changes on formula contracts, see Sections II, Part 2.

Definition of Cost

When a bid is submitted, each bidder lists his most recent cost for each item plus a fixed fee for each item. The costs submitted by the successful bidder are used as a basis for identifying changes in costs. The contractor is required to submit to the buyer a monthly report showing changes in his costs. However, costs must remain firm for a period of one month.

Cost refers to the price paid for an item f.o.b. (free on board) arrival at a distributor's warehouse and is determined by (a) the purchase price f.o.b. a packing plant, and (b) freight charges.¹ Changes in delivered costs (decreases or increases) are passed along to the buyer, at 30-day intervals, based on predesignated specific dates assigned for price changes.

Product Cost: In determining cost, a buyer should receive benefit of bid, promotional, or target allowances.² A packer may give a bid allowance to a distributor for the first shipment, after which prices go up. Packers may also offer promotional allowances

1

Freight charges include off-loading merchandise upon arrival at a distributor's warehouse when shipped by truck and thus the cost of unloading is included in product costs. When products are shipped by rail, the distributor pays the cost of unloading on arrival. This cost is not included in product costs, but is included in the service fee.

2

Bid and promotional allowances are provided to distributors by packers for the specific purpose of promoting the use of products. Whereas bid promotions are given at "bid times," promotional allowances may be given at any time. Target allowances are discounts given by some packers to certain market segments such as schools and institutions on an intermittent or regular basis.

from time to time to accelerate inventory movement. Allowances are shown on invoices as deductions from a packer's selling price. See Example 12. Buyers are not entitled to specific allowances earned by distributors such as label allowances, refunds from cooperative buying groups, and cash discounts. These accrue to the benefit of distributors.

Freight Charges: Except for small lot items such as spices, all freight costs are based on railcar or truckload lots and include refrigeration charges which may be assessed when hauling frozen or perishable foods and "cooling" charges which may be assessed for removing the field heat from produce (fresh fruits and vegetables) at time of harvest and prior to shipping. Small changes in prices are often due to variations in unit freight cost. Changes up or down can be attributed either to differences in origin of shipments or in the number of units on a shipment. Variations in numbers of units might be due to differences in the weight capacities of railcars or product mix.

A car which has a weight capacity of 2,400 cases of canned green beans might accommodate 2,600 cases of mixed items due to lighter case weights. Thus, at the same freight cost, the unit cost would be lower for the 2,600 case load.

Selling Price: The cost of merchandise plus the freight cost (including refrigeration and/or cooling charges) divided by the total number of units (cases) per load yields unit cost. The unit cost plus the fixed fee yields the selling price.

$$\frac{\text{Merchandise Cost} + \text{Freight Cost}}{\text{Total Units/Load}} = \text{Unit Cost}$$

$$\text{Unit Cost} + \text{Fixed Fee} = \text{Selling Price}$$

Review and Audit of Price Changes:

In order to protect the interest of a school district and the integrity of a bid, cost price changes must be informally reviewed monthly and formally audited at least once a year. See Figure 2. These reviews and audits are intended to let the contractor know that his invoicing is under surveillance. Knowing this to be the case a contractor is less likely to allow his pricing process to become shoddy.

Reviews: A buyer can make informal reviews by checking the price changes submitted monthly by a contract distributor as shown in Example 13. In accord with the bid document for reimbursable contracts, successful bidders are required to submit a monthly

EXAMPLE 12

EXAMPLE OF PACKER'S INVOICE
SHOWING PROMOTIONAL ALLOWANCEROCKAWAY FOODS
P. O. Box 7219
Atlanta, GA 30384

Invoice #67-3218-75-001

Dated Shipped: 5-10-85

Invoice Date: 5-18-85

Terms: 2% 10 Days
Net 30SOLD TO: Foodway Inst. Dist.
P. O. Box 3721
Corn City, YOUR STATE. 29208SHIP TO: Foodway Inst. Dist.
427 Patuxent Drive
Corn City, YOUR STATE 29208

SHIPPED FROM		SHIP VIA		CAR INITIAL AND NO.	CUSTOMER ORDER
BLAC-2B		BNCEAIT ICG		BNFE 9167	6132
Quantity	Product Code	Pack/Size Description		Unit Price	Extended Amount
200	774382	6/5 Potato Triangles		\$15.31	\$ 3,062.00
		Prom./Hand. Allowance			-263.00*
1200	793251	6/5 Potatoes KK 1/2		14.98	17,976.00
		Prom./Hand. Allowance			-1,643.00*
600	703605	6/5 Potatoes Strt. 1/2		14.23	8,538.00
		Prom./Hand. Allowance			-738.00*
400	784326	6/5 Potatoes Long Ct. Skin		15.29	6,116.00
		Prom./Hand. Allowance			-571.00*
		Freight			3,418.00
		Refrigeration			623.00
2400		Total			35,692.00
		Less 2%			34,978.00
		Freight and Refrigeration			4,041.00
					39,019.00

* Not included in total.

Figure 2 - STEPS REQUIRED FOR REVIEWS AND AUDITS
OF PRICE FOR REIMBURSABLE COST CONTRACTS

<u>Document</u>	<u>Action</u>
Example 13	Review Monthly Price Change Report From Distributor
Example 14	Refer to Previous Years' Product Utilization Report
Example 15	Prepare Price Spread Sheet for Items Which Represent 80 Percent of the Value of Product Purchases
Example 16	Select Items for Review (20 Percent of the Items in Example 5 Plus 2 Others Selected at Random) Prepare Part of Price Change Audit Report Form
Example 17	Examine Distributor's Price Records and Complete Audit Report Form Determine Financial Claims, if any, and Prepare Audit Close-out Memorandum

report on price changes on the items delivered. Food service supervisors should discuss with distributors any item which increases more than 10 percent.

Audits: Formal price audits are required near the end of a school year or the end of a contract period, whichever comes first. When a reimbursable cost contract expires in October, as suggested herein, formal audits can be made during May. A formal audit need not be made again at the end of October unless monthly price reviews indicate an audit is required. Likewise, formal audits might be made mid-year, at the end of a quarter, or at any time an audit is deemed in the best interest of the school district.

Audit Procedures: There are several components to each audit:

- (a) Select the items to be audited.
- (b) Examine the contractor's price records for each item selected for audit.
- (c) Determine if a financial adjustment is required.
- (d) Write a report, for the record, to close-out the audit.

Selection of Items for Audit: Using the price spread sheets maintained for monthly reviews, as illustrated in Example 13, the food service supervisor should select items for audit as follows:

- (a) Indicate on the price spread sheet (Example 13) those items which represent 80 percent of the dollar volume. These items can be taken from the previous utilization printout as shown in Example 14.

If a volume sequence utilization report is not available, the top 25 percent of the highest volume items can be designated for audit review by the food service supervisor. This selection should be based on the judgment of the food service supervisor. Twenty-five (25) percent of the items usually represents about 80 percent of the value of purchases. See Example 14. If an audit deals with only a small number of items (8-20), the entire lot might be selected for audit review.

EXAMPLE 13

EXAMPLE OF MONTHLY PRICE CHANGE REPORT
SUPPLIED BY CONTRACT DISTRIBUTOR¹
PREPARED BY SCHOOL DISTRICT

Distributor: Associated Foods
Bancroft, YOUR STATE

Bill To: Westside School District
Number 71735

Item Description	Brand	Mfr. ID	Dist.ID	Line	Price ² (Sept.)	Price Changes		
						Oct.	Nov.	Dec.
6/10 Fruit Cocktail L/S	Code Blue	1094	3628-5	1	18.54	-	-	17.18
6/10 Apple Saude	Code Red	-	3606-1	2	10.66	-	-	-
6/10 Peaches Y C Sliced	Code Blue	1064	3653-3	3	17.51	-	18.92	-
6/10 #7 Sliced Apples	Code Red	-	3603-8	4	15.82	-	-	-
6/10 Pineapple Tidbits	Code Red	1236	3672-3	5	20.34	-	19.59	-
6/10 Ear Alsw Peas 3 Sv	Code Red	52000	3069-2	6	13.81	14.36	-	-
6/10 B1 Cut Bean 3 Sv Wc	Code Red	-	3015-5	7	11.51	-	-	13.11
6/10 Ketchup-33% Solids	Hunt's	-	3250-8	8	18.44	-	-	-
6/10 Tomato Paste	Hunt's	-	3277-1	9	29.01	-	-	-
6/10 Whole Tomatoes	Code Blue	7900	3268-0	10	14.86	-	16.01	-

Continue

Continued

¹ Contract distributors supply price changes monthly but only on items which have been ordered to date.
Contract distributors without a computer cannot provide price changes in this fashion. The food service supervisor should maintain records on a similar form.

² Quoted price as of September (26) prices. Price update same date and month.

- (b) For the purpose of illustration, Example 14 shows that 46 items (27 percent of the items which represents 80 percent of the value) have been designated for review. The next step is to select from this review list 20 percent (13) of the items for audit. The items selected for audit should be those which, in the judgment of the food service supervisor, show the most volatile, unexplained, price changes.

In selecting the items for audit, a food service supervisor can pass over items which have price variations attributable to one or more of the following:

- (1) Items which are known to have increased in price due to market conditions.
 - (2) Items such as meat and chicken which are known to have volatile prices but which demonstrate reasonable price fluctuations.
 - (3) Items which fluctuate in about equal amounts up and down and thus the fluctuations appear to be due to variations in unit freight costs.
 - (4) Items which increase in price abruptly after the first month or two and the increases are known to be attributable to bid allowances.
- (c) The food service supervisor should select two or more additional items from the balance of the product utilization report. These items can be selected either "at random" or from items which show volatile price fluctuations without proper justification.
- (d) Using the list of items which represent 80 percent of the dollar volume, develop a spread sheet as shown in Example 15 showing the price changes by month over the audit period. As shown in Example 14, this may involve only 60 or 70 items. The spread sheet (Example 15) should indicate those items which have increased or decreased in price or had no price changes. As indicated in Example 15, those items with the largest price change spreads are selected for audit. Prices are examined only for the month(s) with the largest changes.

EXAMPLE 14
PRODUCT UTILIZATION REPORT
LISTED IN DESCENDING ORDER OF VOLUME BY VALUE¹

MEATS & GROCERIES	Amount	Percent
Pizza, 96/5 oz.	12458.36	7.35
Beef, Charbr'l Patty	11682.65	6.90
Corn Dogs	7835.52	4.62
Pizza, Fiestada	7705.50	4.55
Potatoes, FF	6007.00	3.55
BBQ, Pulled	5730.00	3.38
Tomato Catsup, Indiv.	5256.58	3.10
Frankfurters	3530.94	2.08
Fruit Cocktail	3460.75	2.04
Ham, Bnls 10-12 lb.	3376.40	1.99
Potato Triangles	3110.76	1.84
Dressing, Salad Ind.	3019.00	1.78
Beef, Ground	3010.50	1.78
Beef, Stew	2887.50	1.70
Beef, Roast, Inside Round	2827.50	1.67
Sugar, Granulated 50	2708.95	1.60
Rib Patties	2527.00	1.49
Cereals, Ind. Assort	2515.80	1.48
Chicken Thighs	2397.50	1.41
Fish & Cheese, USDA	2387.00	1.41
Combo Sub	2385.40	1.41
Chicken Nuggets	2298.80	1.36
Corn on the Cob	2159.15	1.27
Chicken Patty	2045.00	1.21
Fish Krispies	2010.60	1.19
Apple Juice	1809.30	1.07
Grape Juice, Pure	1662.00	.98
Pineapple Juice	1642.80	.97
Orange Juice, Pure	1638.00	.97
Beef, Roast, Ckd	1601.60	.95
Taco Shells, Enrich	1581.14	.93
Flour - 50 lb.	1520.00	.90
Beans, Green	1509.50	.89
Tomato Catsup	1446.55	.85
Potatoes, Skin-on FF	1400.47	.83
Tomato Paste, 24% C	1399.50	.83
Meat Ravioli, Sauce	1395.75	.82
Pineapple Tidbits	1364.75	.81
Mixed Vegetables	1360.52	.80
Mustard, Individual	1286.90	.76
Potatoes, Inst. Vit C	1229.15	.73
Tomatoes, Whole Peel	1185.20	.70

¹Based on 13 schools for 1982-83 school year.

EXAMPLE 14 (Continued)
PRODUCT UTILIZATION REPORT

MEATS & GROCERIES (Continued)	Amount		Percent	
Peas, Green	1084.10		.64	
Yeast, Instant	1081.20		.64	
Pickles, Hamb Dill	1075.32	27% of Items	.63	
Apples, Sliced	1055.50	80% of Volume	.62	46 Items
Corn, Whole Kernel	1049.77		.62	
Sauce, BBQ	1046.70		.62	
Corn, Mex. or CW	1005.62		.59	
Blueberry Muffins	891.00		.53	
Peppers, Dehy, Diced	883.32		.52	
Sausage, Smk Links	832.00		.49	
Beef, Pattie 3.2 oz.	755.40		.45	
Pork & Beans	741.00		.44	
Vegetable Sticks	740.50		.44	
Salad Dressing	718.20		.42	
Sugar, Brown 50 lb.	711.64		.42	
Chocolate Chip Cookies	669.87		.40	
Cereals, Rice Krisp	652.80		.36	
Oatmeal	637.00		.38	
Sugar, Confectioners	636.82		.38	
Apple Sticks, Brd.	631.62		.37	
Peaches, Sliced	627.00		.37	
Onions, Dehy. Chop	624.90		.37	
Ham Patties, Preform	602.70		.36	
Tart Shells	585.60		.35	
Turnip Greens w/Turn	577.12		.34	
Broccoli	565.46		.33	
Surfburgers	542.40		.32	
Beef, Pattie, TVP	539.40		.32	
Brownie Mix	534.00		.31	
BBQ Sauce	516.00		.30	
Pancakes	511.55		.30	
Chicken Legs, IQF	506.00		.30	
Crackers, Ind. 4 ct.	487.20		.29	
Tuna, Light Chunk	471.00		.28	
Oil, Vegetable	459.00		.27	
Beans, Kidney	456.00		.27	
Honey Buns	451.58		.27	
Eggs, Powdered	435.00		.26	
Taco Seasoning Dry M	402.93		.24	
Pickles, Kosher Dill	398.00		.23	
Syrup, White	396.96		.23	
Apple Juice Base	395.00		.23	
Spinach, Chop	392.04		.23	
Gelatin	391.70		.23	

EXAMPLE 14 (Continued)
PRODUCT UTILIZATION REPORT

MEATS & GROCERIES (Continued)	Amount	Percent
Beans, Baby Lima	369.90	.22
Apple Jelly	359.00	.21
Applesauce	353.00	.21
Mayonnaise 4/1 Gal.	344.00	.20
Corn, Cream Style	322.60	.19
Strawberries, Sliced	321.00	.19
Cocoa	320.69	.19
Sweet Relish	308.20	.18
Peas, Field w/Snaps	308.10	.18
Potatoes, Small Wh	302.00	.18
Oatmeal, Quick	282.40	.17
Chicken Breast	276.50	.16
Whip Topping	269.97	.16
Tea Bags	261.92	.15
Sausage & Biscuit.	249.00	.15
Orange Muffins	234.00	.14
Taco Sauce, Indiv.	230.60	.13
Carrots, Sliced	229.80	.13
Dressing, Coleslaw	226.00	.13
Carrots, Diced	218.60	.13
Celery, Dehydrated	202.44	.12
Dressing, 1000 Isle	194.00	.11
Crackers, Graham	168.60	.10
Applesticks	168.00	.10
Salt Pork	167.10	.10
Tartar Sauce, Ind.	160.00	.09
Baking Powder	158.76	.09
Spices, Black Pepper	156.12	.09
Pickle, Sweet Relish	154.00	.09
Quick Grits	151.35	.09
Spices, Chili Powder	142.92	.08
Salt, Iodized	142.20	.08
Cranberry Sauce	134.82	.08
Cornmeal	134.40	.08
Spaghetti Sauce Mix	132.93	.08
Tomato Puree	117.67	.07
Beans, Dried Kidney	109.80	.06
Lemon Juice	109.68	.06
Garlic Powder	107.87	.06
Gravy Mix, Brown	105.00	.06
Syrup, Ind.	97.50	.06
Mustard, Prep 4/1 Gal.	90.85	.05

EXAMPLE 14 (Continued)
PRODUCT UTILIZATION REPORT

NON-FOOD EXPENDABLE SUPPLIES ¹	Amount		Percent	
Napkins	1537.25		24.25	
Can Liners (55 Gal.)	762.57		12.03	
Aluminum Foil	706.70		11.15	
Foil Sandwich wrap	676.48		10.67	
Paper Towels	475.20		7.49	
Paper bags	398.52		6.28	
Pan Coating	326.04	30% of Items	5.14	
Parchment Baking Sheets	<u>158.76</u>	80% of Volume	<u>2.50</u>	8 Items
Pine Scrub Cleaner	156.04		2.46	
French Fry Bags	154.70		2.44	
Food Trays	132.10		2.08	
Film Wrap	114.00		1.79	
Paper Cups (6 oz.)	107.85		1.70	
Plastic Aprons	102.96		1.62	
Brooms	86.73		1.36	
Washing Powder	73.65		1.16	
Plastic Plates (9")	69.65		1.09	
Oven Cleaner	44.94		.70	
Mops	34.84		.54	
Scouring pads	32.44		.51	
Window Cleaner	28.80		.45	
Sandwich Bags	26.75		.42	
Bleach	25.60		.40	
White Butcher Paper	24.10		.38	
Disposable Gloves	<u>16.20</u>		<u>.25</u>	
	6337.67		99.88	

¹
Based on 7 schools for 5 months of the 1983-84 school year.

EXAMPLE 14 (Concluded)
PRODUCT UTILIZATION REPORT

PRODUCE ¹	Amount		Percent	
Tomatoes, 5 x 6	4704.00		45.48	
Lettuce 24 ct., 48#	2167.00	21% of Items	20.95	
Cabbage, Green 50#	1150.00	80% of Volume	11.11	3 Items
Oranges 125-138 ct.	457.80		4.42	
Apples, Red Delicious	423.70		4.09	
Cherry Tomatoes	356.50		3.44	
Tomatoes, Salad Style 25#	325.00		3.14	
Bell Pepper	302.40		2.92	
Cucumbers	171.30		1.66	
Carrots	153.16		1.48	
Celery 4 doz. size	58.75		.56	
Radishes	34.60		.33	
Red Cabbage	23.20		.22	
Yellow Onions, 50#	15.25		.14	
	10342.66		99.94	

¹

Based on 5 schools for 6 months of the 1983-84 school year.

EXAMPLE FOR AUDIT REVIEW PURPOSES OF PRICE SPREAD SHEET
FOR ITEMS WHICH REPRESENT 80 PERCENT OF THE COST OF ITEMS PURCHASED BY
THE WESTSIDE SCHOOL DISTRICT¹
NOVEMBER 1985 - APRIL 1986

Distributor Associated Foods

By Sherry Conrad

Date May 10, 1986

Item	Code	(Bid) Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	Up ²	Down ²
Beef Patty	A-019	15.15	16.20	15.70	17.01	16.10	15.10	14.80	14.85	0.46	--
Steak Nugget	A-021	16.02	*	*	16.11	15.10	*	16.22	17.10	0.09	--
Sausage Patty	A-032	8.79	*	7.21	8.63	*	7.18	*	7.11	--	1.01
Smokie Dogs	A-033	14.20	*	14.90	14.30	14.16	14.81	15.16	16.10	0.60	--
Ham, Sliced	A-005	19.80	20.11	19.02	*	19.11	21.60	20.17	*	0.17	--
Corn Dogs	A-011	10.76	11.11	12.11 (a)	13.01 (a)	11.42	*	12.28	*	0.99 (a)	--
Weiner, 2 oz.	A-042	12.00	13.04	13.10	13.04	12.06	12.13	12.11	10.79	0.28	--
Lunchmeat	A-031	17.64	17.01	17.64	*	*	17.99	18.86	16.32	--	0.06
Fr.Fries 5/16	B-019	11.67	12.42	*	*	11.92	*	*	12.13	0.37	--
Select 20 percent of the items with significant price increases.											

¹ Based on unit prices and includes f.o.b. product cost plus service fee.

² Obtained by adding prices across, dividing by number of entries, and adding or subtracting from bid price.

* Indicates no price change or no purchase.

(a) Choose this item for price audit. Select two months with largest price increases, i.e., November and December.

Examination of Price Records: For easy access to records, an audit should be made at the contract distributor's warehouse. It is wise for a food service supervisor to conduct the audit in the presence of a third party, possibly an administrative assistant to the superintendent or someone from accounting. The main point to remember in making audits is to know in advance specifically what items and months are to be examined. Food service supervisors can use a form for audits as illustrated in Example 16.

In preparation for the examination of price records, a food service supervisor should fill out the appropriate information on the audit forms as shown in Example 16 prior to visiting a contract distributor. Other information shown on the form will have to be filled in during the audit visit.

The source of price information is normally a packer's invoice with freight bills and other related charges attached.¹ Product prices and freight related charges are added and the total divided by the number of units to obtain the distributor's price. However, in distributor operations which are well computerized, the same information can be obtained, lump sum, from computer printouts. Either source is acceptable. The prices examined, however, must be the last invoice received prior to the date designated for monthly price changes.

Financial Adjustment: When an audit is completed, it may be necessary to determine the extent of debits and credits so that a financial settlement can be made. Usually, however, the pluses and minuses cancel out and there are no claims involved.

In the event, however, that serious discrepancies are discovered, an in-depth audit may have to be made and claims established. This situation is unlikely with large distributors who use computers for all transactions. In such instances, the computer usually "speaks," and it is unlikely that a supplier will reprogram a computer for the sake of a few hundred dollars. The risk is too high. The price for dishonesty could be a massive loss of business. If problems arise in bid audits, they are likely to be honest mistakes, originating from distributors without computers who have difficulty in tracking price changes. Since tracking of purchases and price changes can be accomplished with a mini-computer, food service supervisors should consider prequalifying only those suppliers who are capable of providing computerized reports. When this is impractical, bidders with "manual" data operations should be required by contract to include their purchase invoice numbers on sales invoices each time a price changes.

¹

Freight bills may include cooling or refrigerating charges.

EXAMPLE 16

Price Change Audit Report¹

Date: May 18, 1986

School District
Representative:

Distributor:

Representative:

Item Description: *Corn Dogs*
 Item Brand: *Southern Bell*
 Distributor's Item Code No.: *7457-6*
 Packer: *MID-SOUTH*

(a) Base Price Month:² *October*
 Amount: *\$10.11*
 Service Charge: *\$0.70*
 Expected Product Cost: *\$9.41*
 Actual Invoice Cost:* *\$9.41*
 Difference:* *None*
 Explanation:* *None*

(b) Price Change Audit
 Month: *November*
 Amount: *\$11.11*
 Service Charge: *\$0.70*
 Expected Product Cost: *\$10.41*
 Actual Invoice Cost:* *\$10.57*
 Difference:* *\$0.10 credit due distributor.*
 Explanation:* *Debitied with other items. Freight allocated improperly, but later corrected.*

(c) Price Change Audit
 Month: *December*
 Amount: *\$12.01*
 Service Charge: *\$0.70*
 Expected Product Cost: *\$11.31*
 Actual Invoice Cost:* *\$11.31*
 Difference:* *None*
 Explanation:* *None*

(d) Price Change Audit
 Month:
 Amount:

-Continued-

¹ This is a price audit form. The information in *italics* should be filled in by the food service supervisor prior to audit trip to distributor's warehouse.

² The base price month, i.e., the month from which the price change was made, must be examined first.

* Information supplied by Distributor.

Close-Out of Audit: After an audit is completed, the food service supervisor should write a close-out memorandum, which can be either directed to the school district superintendent or set aside as a matter of record. See Example 17. An audit report should include copies of the support information as outlined in Examples 13 through 15.

Benefit-Risk Ratio. As much as 60 percent of the volume handled by some distributors is based on reimbursable contracts with private sector accounts. Experience has shown that the cost benefits far outweigh the risks of encountering undetected losses.

The climate for purchasing on the basis of reimbursable cost is made favorable by improvements in computerization and the advent of large commercial distributors, operating in a climate of increased competition. The advantages of cost plus contracts, when compared with existing methods of purchasing used by school districts, are significant.

While pilot programs indicate significant reductions in costs, actual costs savings are difficult to measure accurately because of differences in times, places and circumstances. However, food service supervisors in pilot programs declare that a major benefit of the reimbursable cost purchasing method is the improvement of product quality and value. Reimbursable cost purchasing methods diminish, if not eliminate, incentives for suppliers to cut corners in product commitments. Another advantage is that reimbursable cost contracts can reduce substantially the personnel hours required to purchase and receive merchandise. Thus, supervisors and kitchen personnel are freed to devote more time to other important tasks of food service.

Interest in contract purchasing is high among distributors as evidenced by increases in the number of firms submitting competitive bids for the pilot operations conducted in various states. One school district received seven bids for one contract, which is significantly above normal. Previously it was difficult even to get two distributors to bid.

YOUR STATIONERY

EXAMPLE 17

Audit Close-Out Report

M E M O R A N D U M

Date: June 7, 1986

To: Joshua Metcalf, Superintendent of Schools

From: Sherry Conrad, Food Service Supervisor

Re: Price Audits for the School Year 1985-86
with Associated Foods

We submit herewith our annual report on price reviews and audits for our reimbursable cost contract with Associated Foods.

Example 13 is a summary of a monthly price change as reported by the contractor. You will notice that of the 230 items purchased from October 1985 to April of 1986 56 had price changes.

Example 14 shows the 66 items which constitute 80 percent of our sales dollars. Example 15 shows that 48 of these items experienced price changes. Of this number:

32 items experienced a net price increase, and
16 items experienced a net decrease.

Example 16 shows the 15 items selected for audit. As indicated on the forms, 14 of the items audited indicated justifiable price changes. One item, Corn Dogs, had a price discrepancy which was traced to a miscalculation on freight for which the distributor is held harmless.

We therefore find as a result of our audit of May 18, that the transactions completed to date are acceptable. Price reviews will continue as usual for May, September and October and an addenda report will be submitted at those times.

PRODUCT IDENTIFICATION

part of contract purchasing, it would have to be product identification (description). Because purchasing contracts are long term, bottom line and final, all suppliers must bid on the same items. Indefinite and vague product identifications lead to confusion by bidders and can significantly dilute the integrity of a bidding process.

A great deal of effort has been exerted over the years by industry groups, with help from government agencies, to develop standards of product identification. Yet because of variables and innovations, product identification is not exact. However, the products listed in the Catalog volume of these manuals represent identifications which are uniform and reliable.

The item identifications contained in the Catalog reflect the usual standard terms such as grades, styles, sizes, type of pack, etc. Most distributors can relate readily to these identifications. In many instances, product identifications are specific enough to make it unnecessary to specify brands and, in some instances, brand requirements are satisfied by a blanket description. In other instances, product brand becomes the primary element in product identification. This is particularly true in formulated items such as barbecue sauce.

Product lists submitted in the contract documents (Part 2, Sec. IV) are broad enough to enable each school district to make its own determination of product requirements. Although additional products can be added to the lists readily, the identification of each new product must be specific and complete.

INVENTORY PRACTICES

Careful inventory planning is necessary to minimize out-of-stock situations with meat and grocery items caused by failure

to order. There are three methods which are employed in the food service trades for maintaining adequate inventories. These are as follows:

- (a) Small operations and commercial establishments with repetitive menus can take visual inventory weekly and discern what to order. This is not a good method for school districts because of the large number of items involved.
- (b) Some large institutions and large commercial establishments, such as hotels, resort complexes, and ships, use a "steward" method of tracking inventory. With this method, foods are issued from a central storage area by a steward who keeps a perpetual inventory on the higher volume items and visual inventory on ancillary stock. Tracking inventory and discerning what to order, and when, is often done by a mini-computer or a tie-in to a mainframe system.

This method of inventory tracking and ordering is practicable only for large schools because of the staffing required for a steward.

- (c) The most effective way to determine order requirements of meats and groceries is to use a critical path method for moderate and high volume items and visual inventory for support items. Example 19 illustrates a form for use in tracking stock requirements. This system is based on projecting ahead quarterly (two 6-week menu cycles) the requirements for "menu foods," i.e., meats, vegetables, fruits, etc. Based on the menu schedule, the control form will designate the week when an item will be served and the quantity needed. Orders are placed for delivery the week before scheduled serving.

The number of units ordered will take into consideration the amount on hand, i.e., carried over from the last serving. The new remainder on hand is entered on the form after the current serving for carrying forward. The critical path method for menu items, coupled with a dedicated visual inventory of support items, can result in a high degree of product availability with a minimum of inventory surges.

TRANSMITTING ORDERS

All orders from schools to school districts and from school districts to suppliers should be placed by item numbers. There are three types of numbers involved, all of which are constant.

- School district, or "bill to" numbers;
- Individual school, or "deliver to" numbers; and
- Item numbers.

When practical, use numbers which are assigned by the State. Uniform numbers will make it easier to have a program which will be interchangeable with other school districts. Most distributors can program their computers to convert buyer numbers to distributor numbers.

The most effective way to transmit orders to a distributor is directly to that distributor's computer, with no "in-between." This can be done through a telephone hook-up by means of a computer input device furnished by the distributor. Another less effective way is to mail orders on computer-ready order forms, so that they can go directly to keyboard operators at a distributor's warehouse. A third way, but less effective still, is to call a person in the distributor's order department who will copy the order verbatim using identical code numbers. A simple way to document orders is to use a separate sheet for each school, as shown in Example 20. These forms can be used to transmit orders to a distributor's warehouse using either of the aforementioned methods.

ORDER FORM
ONE FOR EACH KITCHEN (DELIVERY POINT)

School District Name and Number*

Enter _____

Account Number* _____

Date Mailed _____

For Delivery Week of _____

Code*	Item	Unit	No. Units
009	Beef, Ground	lb.	**
010	Beef, Gr. VPP	lb.	
011	Beef, PT, 2 oz.	lb.	
014	Beef, PT, 2.6 oz.	lb.	
018	Burritos, 5.5 oz.	case	

Code*	Item	Unit	No. Units
C019	Beans, Dry Lima	25#	
C025	Beans, Green	6/#10	
C031	Carrots, Sliced	6/#10	
C033	Corn, Whole	6/#10	
C034	Corn, Cream	6/#10	

Etc. Leave space between A & B Item Groups, etc.

This form will have space for about 75 of the
highest volume items. Other items can be written in.

Other Items --

_____	_____	_____
_____	_____	_____

* Must be compatible with distributor number and code.

** Units required in terms of full case.

CHECKING DELIVERIES

Once a buyer has determined what to order and communicates this information to contractors, it is essential to have in place a method for assuring that the items ordered are the items delivered. The rule of thumb is to keep the assurance simple but adequate. This can be done by implementing procedures as follows:

- (a) When a driver arrives, his delivery ticket (invoice) will indicate the number of pieces (wholesale units) in the order. Several items, such as spices, may be repacked into a master container. This may be counted as one piece.

The receiver should count the pieces delivered against the pieces indicated on the delivery ticket. If they match, sign for the delivery and release the driver; if not, check further.

- (b) At some convenient time, stack the merchandise on shelves in the storage rooms. At this time check the merchandise item by item against the delivery ticket.

Check first for items which are color coded. The receiver will know that items which are color coded should have labels of one specific color, . . ., blue. Where exceptions exist, these will also be known. For example, the checker should know that all color codes are blue, except green beans which are red. It is necessary when checking color coded items to check the item designation on the case also, otherwise red label peas might be delivered for beans.

Most grocery type items which are not color coded will be coded with the manufacturer's identification (ID) number, . . ., 1487. This ID number should also be on the delivery ticket. It is not necessary to check the item name if the ID number is checked.

A few items such as produce should be checked for condition on arrival. Variable weight items which are weighed by the local supplier must be weight checked. Variable weight items which are marked and labeled at central packing plants need only be spot checked (from time to time).

When storing merchandise, check packaged meat items - as well as other bagged items - for tears. Sometimes tears can be corrected by taping or repackaging. Damages to packages should be reported to the contract distributor either by telephone or written notice to the deliveryman on his next arrival.

It is possible to utilize the foregoing simplified checking procedures because of the contractual arrangements. Any discrepancies, such as substituting peas for beans, can be corrected on a subsequent delivery or sooner, if necessary. In the case of peas and beans, one item can be substituted on the menu for another, if necessary. In more critical situations, the supplier may have to be notified of the error by telephone and the item exchanged the next day, or same day, if urgent.

CHECKING INVOICE PRICES

Since contractors' operations are likely to be computerized, the chances of pricing errors may be near zero percent. If errors exist, they are likely to occur the first time an item is ordered. This would indicate that the wrong price was entered into the computer. Price checking, therefore, can be limited to the first time a product is ordered and to spot-checking invoices at the termination of the contract. If a district has a mini-computer, each order for each kitchen can be entered into the computer at the time of order to produce an order document, which will show a total cost. When an invoice arrives, the total can be entered into the computer and verified. Any discrepancies can be checked immediately. Invoice extensions and totals must be checked at some time before payment is made.

PRODUCT PROTECTION

Most items received at school lunch kitchens are rather easy to protect, assuming a reasonable turn of inventory. In well-managed kitchens, nearly 80 percent (by value) of the main course and complementary items are used within a week or 10 days after arrival. Support items, such as oils, sugars and seasonings, have much slower inventory turns than main course and complementary items, but most items have a very stable shelf life, certainly well within the inventory turns anticipated. Some of the items which may cause problems are as follows:

Milk. The shelf life of milk can be measured almost in terms of "hours" if held above 45°F. Besides, serving milk at this temperature is not conducive to good patron acceptance. Make sure that milk held overnight, or over a weekend, is held well below 38°F. Any milk received above 40°F should be brought down in temperature immediately.

Ice Cream. Most ice cream can be held at zero or even plus 5°F prior to serving. However, ice cream held more than one day, or over a weekend, should be kept as cold as possible, preferably below zero.

Produce. Contrary to popular belief, produce is fairly shelf stable over a period of a week or 10 days if received in optimum condition and handled properly. Different products require different environments with respect to temperature and humidity. However, the reality is that school kitchens have only one cooler for everything. Some ideas which may be helpful are as follows:

- Tomatoes: Put ripe tomatoes directly into a cooler. Firm tomatoes (which are not ripe) should be packaged in polyethylene and left at room temperature until they start to turn soft, then refrigerate before serving. Work with your contract produce dealer to have tomatoes delivered at the proper degree of ripeness.

- Leafy Vegetables: Lettuce and other leafy vegetables, including root tops with leafy tips -- i.e., carrots and radishes -- love moist atmospheres. If these products are to be held for more than a few days you can put moist paper towels in or over the crates. Never wash or directly wet leafy vegetables until ready to use. Overwetting speeds decay. Bags of precut salad vegetables should never be opened prior to use and should be held in the coldest part of the refrigerator (near the coils).
- Potatoes, Fruit and Melons: Do not put potatoes in a refrigerator since the cold air may alter the structure of the starch. Most hard or medium-hard fruits and melons can be held at room temperature if firm (not fully ripe). Fruits and melons, however, must be refrigerated when they ripen and before serving. Strawberries have an unstable shelf life, but should be allowed to ripen prior to serving. This might require several days in a refrigerator or overnight at room temperature.
- Bananas: These items must be delivered by your supplier at the right degree of ripeness relative to when they are to be served. However, ripening can be accelerated by leaving bananas at room temperature. Although banana peelings turn dark when the fruit is refrigerated, the ripening process is slowed considerably.

Frozen Foods. Frozen products have a time-temperature tolerance. Temperature around zero is adequate for short holding periods, prior to serving. Meat items are the most critical, not so much with respect to temperature but with respect to packaging. Freezer coils are constantly "starving" for moisture and since meat has a high percentage of moisture, dehydration can set in if the products are not tightly and properly packaged.

Grain Products. It is very unlikely that flour, meal and other dried products will generate weevils if inventory is turned rapidly. Try to turn inventory on these items about every two weeks. If, however, weevils appear under rapid turn conditions, it is most likely that the product was handled improperly before arrival, so appeal to your contract distributor for relief. Always store grain products in the coolest part of the kitchen area. If carried over the summer, they must be stored in a refrigerator or freezer. Or better yet, have your contract distributor pick up the items and give you credit. If grain products are stored by a distributor at chilled or frozen temperatures (which is very unlikely), you should do likewise.

Part 4
- PERSPECTIVES IN
PURCHASING

SUPPLY SIDE CLIMATE

The supply side sector of the food service industry has undergone significant changes in the past decade or so. Many of these changes have occurred because of consolidation of firms providing food and other food service products. Such firms can supply all the items necessary for the operation of a food service program. They can offer a wider variety of items while, at the same time, centralizing their procedures for obtaining, warehousing, and delivering products to schools and other institutions. The widespread use of computers has meant even greater changes in procurement, inventory, delivery, and accounting methods.

Not only has change taken place in industry structure, but significant changes have also occurred and continue to occur in food product designs. It is these changes and others, which affect the school food service programs regarding products themselves, packaging, storing, delivery, and purchasing procedures, etc. These changes represent a signal to school food service supervisors to reevaluate their purchasing methods to obtain the best service for the money.

Supply side changes have occurred mainly to accommodate changes which have taken place on the usage side. The rapid growth in the "eating out" business, particularly with respect to food service chains, has mandated changes on the supply side. Although changes may have been designed mainly for the commercial sector, they also offer significant benefits to the school food service sector. The point is one of how school food service supervisors can take advantage of the benefits which result from these changes.

Certain existing purchasing practices employed by school food service program supervisors are no longer effective or efficient. Just as the computer made certain math operations easier, faster and more accurate, changes in supply side methods

have meant changes in purchasing procedures which are more practical, cost effective, and time and labor saving. For example, the practice of issuing orders weekly to salesmen or making purchases on short term line item "bids" must now give way to current methods which may employ data entry into computers and computer-generated product lists, delivery papers, invoices, and such.

A new frontier for school food service programs which employs several of the above methods is "Contract Buying." This term refers to an agreement between a buyer and a limited number of suppliers for deliveries of merchandise at controlled prices over an extended period of time. Advantages of contract buying include decidedly lower prices due to economies of scale (high-volume, quantity purchasing at lower per unit prices), even to very small school districts. Contract buying has the added benefit of minimizing the man days devoted annually to purchasing functions, thus providing more time for supervisors to devote to other food service tasks.

DISTRIBUTOR PROFILES

The supply climate for food products has changed significantly in the last decade. These changes have been motivated by changes in the food service sector. The dramatic growth of the food service industry has brought with it a centralization of distribution in the wholesale sector as well as a greater diversification of products. Food service distributors are larger and fewer. This is a good direction (up to a point) because it promotes economies of scale. Evolutions have also occurred in the "packing" sector. Firms in this sector are fewer in number but larger in volume and continue trends toward vertical integration.¹ This trend can also benefit buyers for the same reason: economies of scale.

DISTRIBUTOR BUYING GROUPS²

Since larger firms are in a better position to book and contract for supplies, due to economies of scale, some distributors have achieved greater size by either diversifying geographically or banding together to form purchasing groups. Geographical expansion is accomplished either by new constructions or acquisition, resulting in multi-branch organizations. Other distributors joined cooperative purchasing groups, whereby firms operating in non-competing regions pooled their purchasing power.

¹The combining of various operations such as planting, harvesting, processing, first stage distribution and financing.

²See Appendix C for a list of buying groups serving the food service industry.

Multiple Branch Distributors. Corporate organizations with multiple branches promote their own private labels and operate their own purchasing and quality assurance departments.

While some corporate groups exist only on a regional basis, others operate more extensively, in a manner similar to retail chain organizations. Some corporate groups which have expanded significantly in the past decade are: Sysco, PYA Monarch, CFS Continental, Rykoff-Sexton and Kraft. This list continues to grow as large independent distributors expand geographically.

Cooperative Groups. While some of these groups may be cooperatives in the strict sense, others may be classified as volunteer groups. Although for the purposes of this text the difference is rather insignificant, a cooperative group is controlled by its members and a volunteer group by a founding brokerage house. Both types are referred to hereafter as "cooperative groups."

The purchasing (booking and contracting) and quality assurance operations of cooperative groups are coordinated from a central national office. Each group controls and promotes its own private labels, although each member retains his own corporate identity. Some buying groups which operate in this manner are Frosty Acres, NIFDA, Code, All Kitchens, Nugget, Pleezing, Pocahontas, and Red & White. One buying group, North American, permits each member to use his own label, as well as common labels.¹ This policy permits growth-oriented distributors to diversify geographically without limitations imposed by buying labels. Otherwise, distributor members are assigned regions and generally refrain from competing with one another. It is difficult to compete when two distributors are offering the same label.

Purchasing Methods. Corporate and cooperative members purchase from packers on a contractual basis. Outside of certain generic items such as meats and product, private labels probably represent 75 percent of the output of many food processing plants. Private label groups "book" orders for seasonally produced merchandise even before planting seasons.

¹ This is not to say that others may not also have this policy on a limited basis.

Bookings are made on the basis of "Subject to Approval of Prices" (SAP). If yield is below the forecast, prices may be adjusted upward and, if greater than expected, prices may be lowered. Prices vary throughout the year in accord with inventory levels. If levels go below the forecast, prices may be increased to slow down consumption - and vice versa.

To remove short term inventory "humps," a packer may offer blocks of merchandise on a spot sale basis to move out the excess. Although these offers may be open to any buyer, the excess is usually "grabbed up" by a few buyers with excess warehouse capacity and adequate capital.

Many seasonal items, such as canned fruits and vegetables, are packed during short time frames and set aside for labeling at the time of shipment. Thus at time of shipment a packer may "run" several different labels during a day. Wet-pack frozen seasonal items, such as spinach, are labeled at the time of packing; "I.Q.F." (Individually Quick Frozen) items such as peas are packed into bulk bins at the time of processing and filled into cartons and labeled at time of shipment. It is necessary for individual distributors and buying groups to predict their requirements of wet-pack frozen items fairly accurately to avoid outages. Since fresh potatoes store well under favorable conditions, they are held in storage, processed, packaged, labeled, and frozen on daily production schedules.

Quality Control. Quality levels of distributor labels are established by packers in consultation with individual buying groups. Whenever applicable, quality levels rigidly follow USDA standards. Assurances of quality standards are administered by contract packers and monitored by group buyers.¹ The existence of adequate checks and counterchecks results in "packer" grade levels which are reliable. The success of a buying group is heavily dependent upon the continuing integrity of the quality level of its labels.

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Independent distributors with private labels who are members of buying groups may purchase via group contracts, using group-related quality standards.

Items Produced Seasonally: Packers of seasonal products thoroughly control planting and harvesting to maximize the output of top quality merchandise and minimize quality differentials. Thus a high percentage of seasonal products fall into the top quality group. Processing runs which fall below top quality levels are set aside for separate labeling or for alternate uses.

Although some distributors may claim that their controlled label products are superior in quality to other controlled label products, these claims are doubtful. Packers supply various buyers with products of similar quality levels within the top level group. However, as with all rules, there are exceptions. Some packers produce products beyond the normal top quality level, but this accounts for a very small percentage of the total pack.¹ For a price, processors will pack and set aside products which may score at the very top of a quality grade. Super quality items have outlets in "identity" establishments which are willing to pay more for products which are "a little bit better." Also, the quality levels of items might vary slightly, up or down, due to differences in growing areas or harvesting periods.

Items Packed Year 'Round: As with seasonal products, year 'round items are produced for buying groups under controlled labels using U.S. or packer standards and specifications. Contracts are made on the basis of a buyer's projected annual volume. Items with volatile prices, such as meats, are based on raw material prices as reported on national "Price Sheets." Thus, prices might vary frequently in accordance with the national market.

Price Benefits. Group buyers usually receive certain discounts when items are packed on contract under controlled labels. These discounts may reflect excess capacity situations in a packing plant, whereby a packer may maintain the prices of his own brands at a certain standard level, but pack under another

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Sometimes packers will set aside the "cream of the crop" for packing under their own brands. However, this practice occurs mostly with retail sizes.

label for others at a somewhat lower price. This type of discount usually exists only for items which are packed year 'round under circumstances in which buyer labels represent a small part of a company's total pack.

Packers provide controlled label buyers with a label allowance in the amount of 1 to 2 percent, depending on the value of the product. Distributors belonging to buying groups might also receive a pro rata refund from their headquarters at the end of the year based on "dividends" which accrue as "brokerage" fees. This can amount to 1 to 2 percent. When coupled with cash discounts of 1 to 2 percent, total discounts or refunds to members or a buying group could amount to 3 to 5 percent.

SPECIALIZED DISTRIBUTORS

Distributors who specialize in a particular product field, i.e., meats, product or paper supplies, continue to be a viable force in school district buying programs. Produce distributors, in particular, can improve the competitive climate especially if they are carlot receivers. Meat dealers can also improve competition in large school districts where it might be advantageous to issue bids by item groups. Also, meat dealers can be competitive if they are high volume houses and are involved in meat processing.

PURCHASING OBJECTIVES

Purchasing objectives can be best expressed by a long-standing principle of economics, i.e., to have the right product in the right place, at the right time, in the right amount, in the right condition at the right cost (price). Those who buy for school food service programs must strive to obtain the greatest benefits for school children and taxpayers alike.

Nutrition aside, perhaps the most overriding prerequisite to the success of any food service program is acceptance by the patron -- the ultimate consumer. This patron acceptance is largely determined by price and plated food quality. If prices go too high, participation in programs may decline. Students may either bring their own food or eat out. In the private sector, increases in food costs can be compensated for by increases in menu prices, often without significant loss of patronage. However, the school food service program cannot tie menu prices to the fluctuations in food costs as is the case with commercial food service establishments.

If plated food quality declines or prices go too high, patronage can be expected to decline. Plated food quality is related to the items selected and the quality of food purchased -- and to food preparation as well. With primary focus on raw food quality and costs, this Manual deals only with value issues. Accordingly, steps in an effective contract buying program are discussed.

To implant an effective contract purchasing program, school district officials need only to (a) select the appropriate type of contract documents applicable to their operation, and (b) apply adequate contracting procedures, as discussed herein.

PRODUCTS

ITEM SELECTION

Food service supervisors should select items for their school food service programs annually, with some latitude for short-term modifications. In addition to the basic principals of selection, i.e., consumer acceptance, nutrition, portion sizes, variety, equipment compatability, and product cost, items are also selected on the basis of labor required in preparation. Scratch prices presuppose a lower food cost but require a higher labor cost. The rule of thumb is that the higher the kitchen labor rates, the higher the selection of foods which are either stove-ready or table-ready. The lower the labor rates, the higher the selection of foods which require some kitchen preparation.¹

An easy way to select items in advance, control food cost, and also control the plated quality of food is to use cycle menus, whereby menus with random variations are repeated once every four to six weeks. A four-week cycle minimizes the number of items purchased and requires less kitchen storage space, but a six-week cycle provides more variety. Cycle menus, however, should not be "set in concrete." They must be flexible enough to provide for occasional innovations or special treats.

An example of a 4-week (one month) cycle menu of main course meat items only is as follows:

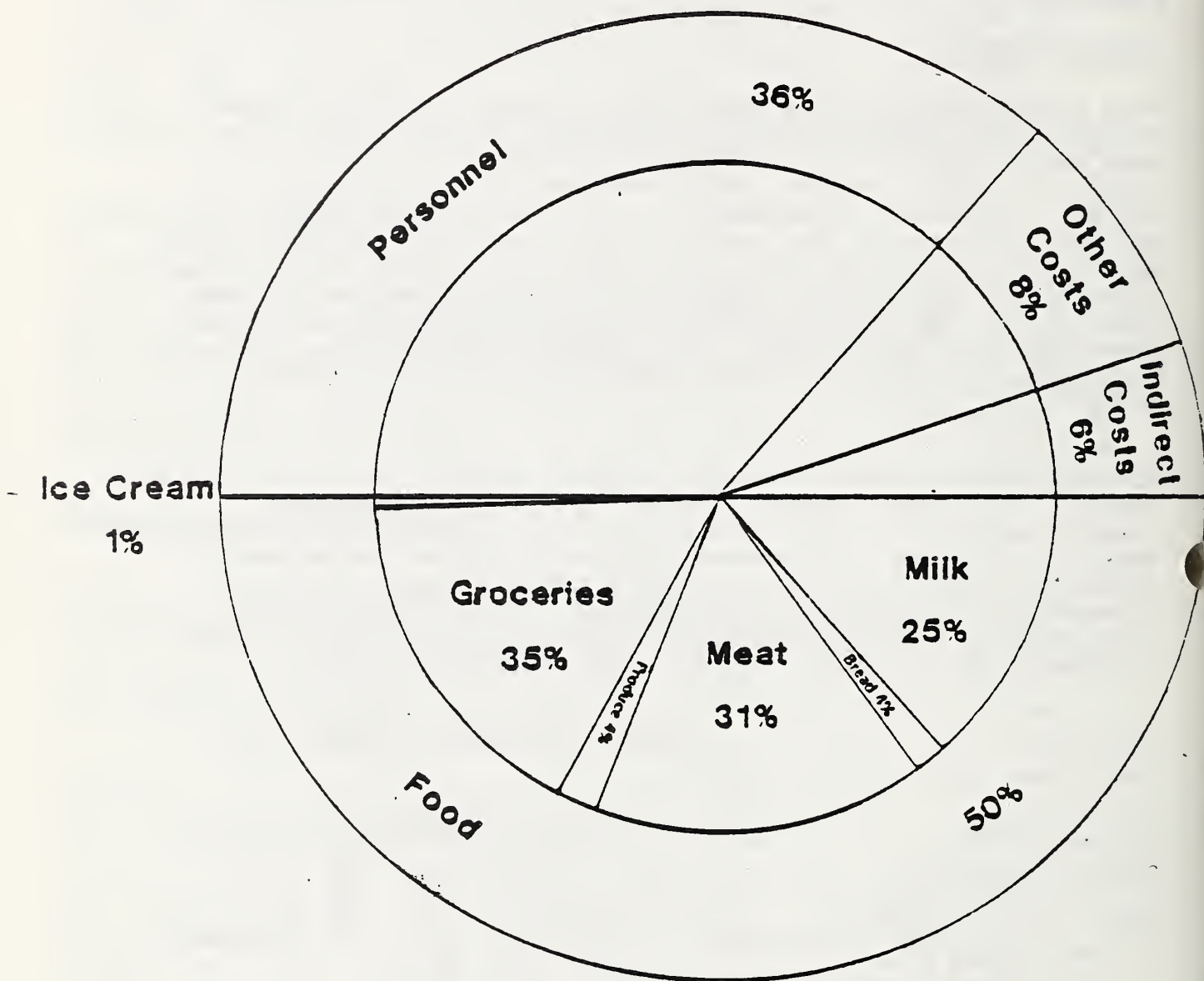
<u>Item</u>	<u>Dates</u>			
Hamburger	1	10	19	28
Pork Chops	2	11	20	29
Stew-beef or chicken	3	12	21	30 (alternate)
Baked Fish	4	13	22	
Chicken-baked, fried	5	14	23	
Luncheon Meat	6	15	24	
Tuna Salad	7	16	25	
Bar-B-Q Chicken	8	17	26	
Ham	9	18	27	

As can be seen, hamburgers are offered four times in the month, every nine days, but never on the same day of the week. If, for example, the 1st is on a Monday, the 10th

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Food service supervisors must continually strive to produce and plate food which receives maximum acceptance, thus maximizing meal participation and minimizing plate waste. This criteria should determine whether a food should be prepared in-house or purchased pre- or partially-prepared.

DOLLAR IS SPENT IN ONE STATE



would be a Wednesday, the 19th a Friday, and so on. For more variety, remember that hamburger (as well as other items) can be prepared in many different ways. Menus can also be varied with supplementary items.

QUANTITY DETERMINATION

An important advantage of cycle menus is that they enable food service operators to forecast quantity needs for a year, provided that patronage (number of children participating in a given program) can also be predicted. Food quantities can be estimated with about 90 percent accuracy either by using historical usage data, if reliable data is available, or critical path analysis.

An advantage of contract purchasing is that suppliers are required to provide year-end computer printouts of product usage. These usage reports can be furnished for each school, in terms of units and value. Usage data must, however, be modified with respect to change in average daily participation (ADP) as well as allowances for menu changes.

In the absence of reliable usage data, quantity requirements can be determined by a 'critical path method. See the Example sheet which follows. The annual quantity requirements for each food item can be determined by using the following formula:

Multiply portion size x ADP (average daily participation) for the school district = number of portions per serving occasion.

Multiply number of servings per occasion x number of serving occasions per year = number of portions per year.

Determine the number of servings per wholesale unit (case, lb., etc.) as stated on the product list.

Divide the number of servings per year by the number of servings per wholesale unit = number of wholesale units per year. Enter this quantity on the appropriate line on the product list.

The total number of wholesale units for the school district can be broken down into the number required per school by using the percentage ADP ratio.

TABLE 2

EXAMPLE OF ANNUAL PURCHASES OF VARIOUS ITEM GROUPS*

Item Group	School District #1		School District #2		School District #3		Total		Per Drop (School)	
	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Per Week Cases
	2	3	4	5	6	7	8	9	10	11
	\$	%	\$	%	\$	%	\$	%	\$	No.
Meats & Groceries	273,482	70	104,430	66	123,723	68	**497,635	69	1,121	45
Meats	(107,000)	(.39)	(35,832)	(36)	(53,089)	(43)	(195,921)	(40)	(441)	(13)
Groceries ^{1/}	(118,000)	(.43)	(54,379)	(54)	(63,298)	(51)	(235,677)	(47)	(531)	(27)
Non-Food Items	(48,482)	(.18)	(10,219)	(10)	(7,336)	(06)	(66,037)	(13)	(149)	(05)
Milk	84,193	22	39,330	26	49,084	27	172,607	24	389	49
Ice Cream	16,678	04	5,269	04	347	--	22,294	03	50	4
Bread	13,923	04	6,741	04	8,030	05	28,694	04	65	10
TOTAL	388,276	100	151,770	100	181,184	100	721,230	100	1,624	108
Average Per School	77,655	--	50,590	--	45,296	--	60,103	--	--	--
Schools	5		3		4		12			

* By three selected school districts

() Not part of total. Ratio to meats and groceries.

^{1/} Includes produce (about 10 percent of groceries).

** Equates to \$1,121 per drop (per week) or about 45 cases.

The critical path used to determine quantity requirements for each item can be put into equation form:

$$\text{Portion Size} \times \text{ADP} = \text{Portions per Serving Occasion (PSO)}$$
$$\text{PSO} \times \text{Occasions per Year} = \text{Portions per Year (P/Y)}$$
$$\frac{\text{Portions per Year}}{\text{Portions per Wholesale Unit}} = \text{Wholesale Units Required Per Year}$$

The foregoing critical path can easily be programmed into a mini-computer. Item requirements by school can be developed for each delivery and compared against the orders placed by each school. Critical path analysis need only be developed for main courses and complementary items. These items represent about 25 percent of the items (70-80) and 90 percent of the value of products used. The quantity requirements for the remaining 10 percent of the value can be effectively estimated.

ITEM GROUPS

Under most competitive situations, it is more economical for a manager to issue a single bid request for Item Groups A-E. This maximizes the benefits of economies of scale and minimizes receiving costs at schools. However, large school districts may find it necessary to break up bids into geographical areas in order to maximize competition. Interest in bidding is often minimized if volume is too high in relation to the facilities and delivery equipment available for commitment by distributors. Two (or more) bids would then be issued simultaneously; one for one geographical area and one for the second area.

DONATED FOODS

One-fourth of the meat and grocery items utilized by schools are donated by the U.S. Department of Agriculture. Any critical path analysis would have to take these items into account. The quantity of many of the items furnished by the USDA can be predicted with a reliable degree of accuracy. Quantities of most items are generally known about three months in advance. Occasionally, however, donated foods are offered on short notice. If the availability of any food from the USDA changes the requirements indicated on a contract document, the contract distributor should be notified as soon as practical.

WESTSIDE SCHOOL DISTRICT
Usage, Ordering and Inventory Form 1/

ADP <u>1289</u>		Order		Week of Quarter ^{4/}													Units	
Item No.	Unit	Serv. Unit ^{2/}	Cases Per Offering ^{3/}	On Hand													Quarter	Year ^{5/}
				1	2	3	4	5	6	7	8	9	10	11	12	13		
Gr. Beans C-011	6/10	192	6.7	7 1/2	7 1/2	7 1	7 1	6 0	7 0	7 1/2	7 1	7 1	6 0	6 0	7 1	7 1	47	141
Corn C-012		etc.																

1/ This is a critical path form for determining annual requirements. It can be used, however, for weekly ordering purposes. Order for delivery the week before usage.

2/ For example, 3.5 ounces per serving.

3/ Based on a serving for each of 1289 ADP.

4/ Based on serving alternate weeks. Week dates can be written in.

5/ Approximate annual usage, i.e., quarterly requirements x 3.

PRICES

DISTRIBUTORS' PRICING POLICIES

Today's distributors, whether delivering to food service or retail outlets, price their merchandise on a percentage over product cost basis. Pricing structures are based on computerized cost data for six general categories:

- (a) Annual volume per account.
- (b) Average volume (payload) per delivery stop.
- (c) Distance of delivery point(s) from warehouse.
- (d) Service requirements.
- (e) Financial requirements.
- (f) Warehouse space utilization.

At time of pricing, various cost data related to the above are put into computers and selling prices are calculated and printed out. This system is known as critical path pricing. The plan not only removes guesswork from the program, but enhances a distributor's chances of continued business success.

Keyed into the foregoing considerations are allowances for "excess capacity" costs. Once a warehouse system or delivery route reaches a breakeven level, excess volume can be handled at a lower per unit cost. Excess capacity¹ pricing adjustments are often made by determining what would be a reasonable margin to expect as a contribution to overhead, above direct costs. Prices charged by distributors to customers are derived from the cost of services added to the base cost of a product. No matter how small service costs might be, it is too little avail if the product cost to a distributor is excessive. Therefore, the lower the product cost to a distributor, the lower should be his selling fee.

¹
Space underutilized.

Product Cost

Prices paid by a distributor for products delivered to his warehouses are influenced by two primary criteria: (a) product costs f.o.b.² a packing plant, and (b) the freight cost to a distributor's warehouse. Both are influenced primarily by volume, although distance plays an important role in determining freight costs.

Distributors achieve economies of scale by purchasing from packers in large lots. The larger the lot, the lower the product price. Thus, large volume distributors may purchase at lower prices than small volume distributors. But this is not necessarily true of all items, nor is it true of items in short supply. However, in conformance with the Robinson-Patman Act, packers must sell to all buyers at the same price for a specific volume and time frame.

In some instances, a distributor can improve his product prices by "contract purchasing" from suppliers. Although contract pricing is based on volume and time frames, special prices might be offered for limited quantities for a limited time, either for the purpose of surplus removal or to stimulate short term cash flow. When such special offers occur, a distributor might order "five carloads (or truckloads)" at a reduced price to be delivered over a short time frame. A distributor, therefore, might gain a cost price advantage by "laying in" large quantities during packer promotion specials.

2

f.o.b. = freight on board.

Transportation. Inbound freight cost is influenced by volume, but only in terms of transportation loads. Per unit freight cost varies up or down, depending on the number of units in a load. A rail car with 2,900 cases would have a lower unit cost than a rail car with 2,400 cases from the same shipping point. One and one-half rail carloads might have a higher freight cost per unit than a single car because of the higher cost of transporting the half-carload. Distances also influence freight costs. The further the travel, the higher the freight. Short hauls of inbound stock are often made as back-hauls on distributors' vehicles, thus minimizing transportation costs.

The foregoing illustrates that the base cost of products delivered to distributors, excluding discounts, might vary somewhat between suppliers serving the same market. Variations might range from 1-3 percent. As indicated, differences are influenced by two factors: (a) volume, and (b) how well a firm manages the purchasing of products and the scheduling of inbound shipments.

Inventory Capacity

The scheduling of inbound shipments to achieve economies of scale and minimize out-of-stocks is influenced by how well inventory is managed and the amount of space available to accommodate economical inventory levels. However, inventory levels and space availability have to be evaluated against the cost of tying up capital in inventory or facilities.

A distributor who purchases economically is one who has ample warehouse space and sufficient volume to turn inventories rapidly. Moreover, he must have a sufficient line of credit to take advantage of cash discounts. Most invoices can be discounted 2 percent if paid in ten days. Earnings of discounts are essential if a firm is to be competitive.

Operating Costs

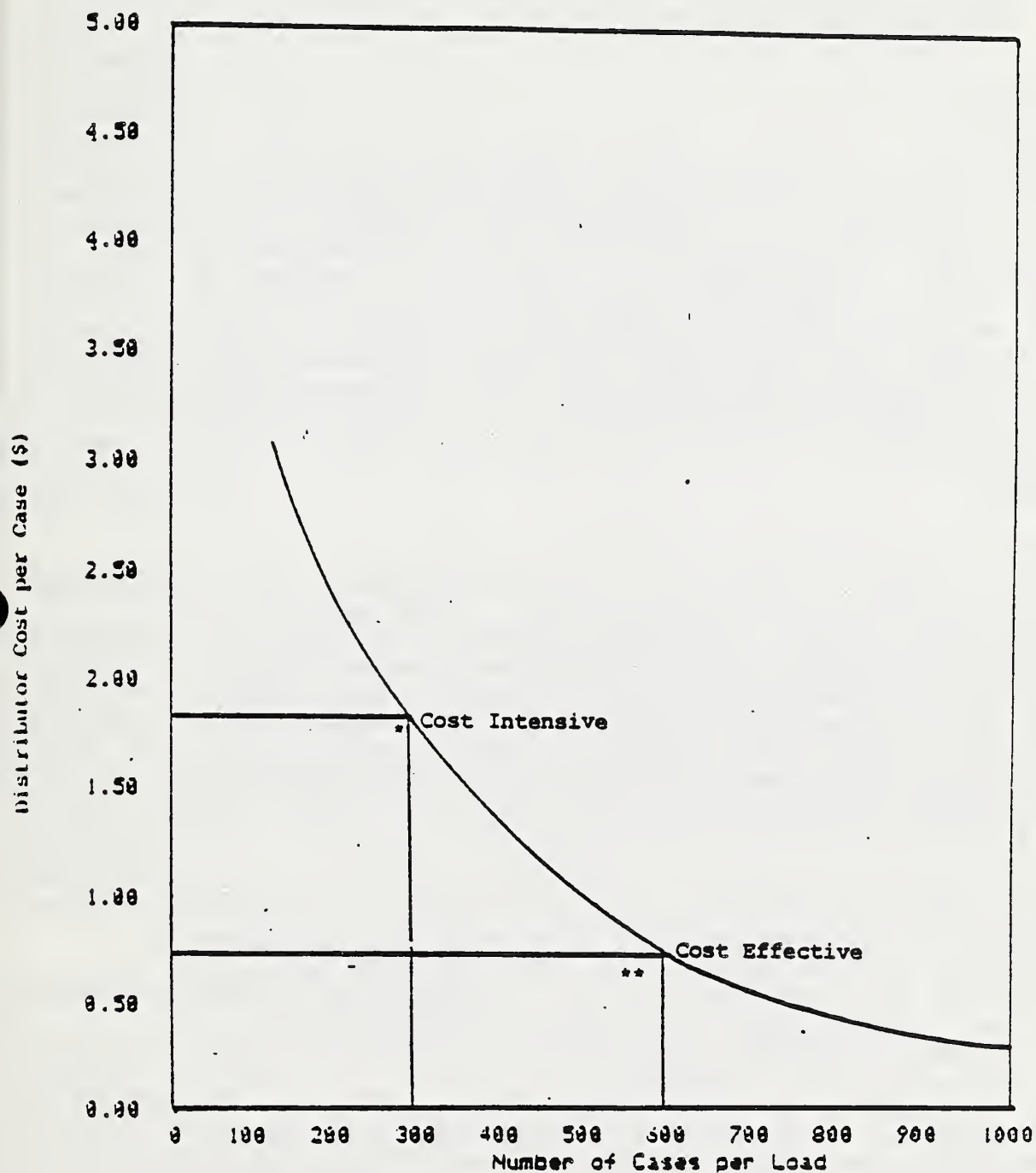
When pricing products for a particular customer or group of customers, a distributor adds to his base product cost the necessary costs for distribution services. The less service required, the lower the costs. There are two types of costs which relate to customer service: fixed and variable.

Fixed Costs. These are the costs over which a food service buyer has little control. They are related to handling a unit of product from the time it arrives at a warehouse until it is delivered to a kitchen, invoiced and paid. When these various costs are totalled, they represent the price level below which a distributor cannot go if that distributor is to remain in business. At best, this can amount to 4 percent above the delivered cost of a product, excluding discounts. However, this level is achievable only in instances where volume is very high and outlets can take deliveries in quantity and make prompt payment for merchandise. If such inventory turn and payment cannot be achieved, fixed cost could range up to 10 percent.

Variable Costs. These are the costs over which a food service buyer has considerable control. Costs can be minimized if a buyer can accomplish the following:

- (a) Maximize the volume per drop by combining deliveries. This usually means minimizing the number of suppliers. See Figure 6.
- (b) Minimize delivery frequency, i.e., weekly instead of twice a week. By the same token, skip-a-week deliveries, where possible, can further minimize delivery costs.
- (c) Minimize constraints on delivery times. Whereas, 7 AM to 2 PM is ample, 7 AM to 5 (or 4) PM would be better.
- (d) Minimize drivers' waiting time at kitchens by checking the merchandise immediately upon arrival and requiring the driver only to set merchandise on the floor of the appropriate walk-in storage area (dry, freezer, or cooler). Do not require the driver to stock shelves or cabinets or rotate stock.
- (e) Simplify the transmittal of orders to a distributor's warehouse. The most economical method is to use a mini-computer input device supplied by the distributor. With this method, orders can be placed by telephone hookup directly into a distributor's computer. If computer input devices are not available, buyers can submit orders by mail on forms supplied by distributors.

Figure 4 - COST RELATIONSHIP BETWEEN COST PER CASE AND VOLUME AS EXPERIENCED BY COMMERCIAL DISTRIBUTORS SERVING THE INSTITUTIONAL TRADES¹



¹Source: USDA Agricultural Research Service (Includes Warehousing & Delivery)

* High cost distributor load at 15 stops per day and 20 cases per stop.

** Efficient distributor load at 15 stops per day and 40 cases per stop.

- (f) Make payments promptly, preferably within 10 days after receiving statements.
- (g) Avoid services which require the use of a salesperson to take orders either in person or over the telephone.

MILK PRICES

Milk prices may vary in accord with a dealer's processing and distribution costs, as well as the regulated prices paid for raw milk. Processing costs depend largely on volume, processing methods and labor costs, none of which can be influenced by a school district. Distribution cost, however, is another matter. Most of the costs incurred in distribution can be allocated to delivery, which includes the salary and commissions paid to driver-salesmen. The cost of distribution to schools might vary from 10 to 17 percent, depending on volume, delivery distance, frequency and size of delivery drops and the extent of other services required.

Constraints

Milk costs are influenced by delivery constraints which may be imposed by school districts. To minimize constraints, school districts should provide as wide a time span as practical for milk delivery, preferably between 7 AM and 2 or 3 PM. Some food service supervisors provide keys to milk coolers for deliverymen who may want to arrive well before 7 AM. In any event, restrictions on delivery time, i.e., "before 10 AM," impose constraints on the delivery process and can contribute to higher prices. Costly constraints are also encountered when deliverymen are required to stock milk display cabinets.

Some school districts require that milk dealers supply cabinets (boxes) for holding and displaying milk for self-service. The furnishing of milk cabinets by suppliers adds materially to the cost of milk over the long run. Failure to return milk delivery cases (master containers) to milk dealers also adds to distribution costs.

Milk distribution costs can be reduced by having the milk order fully prepared when the truck arrives. Unlike meat and grocery orders, milk orders do not have to be "filled" at a warehouse and loaded onto a delivery truck in route sequence. Since only a few items are involved in milk delivery, a driver/salesman can "take an order" upon arrival at a school and fill the order from stock on the truck. The shorter the time a delivery truck is at a school, the lower the distribution costs.

ICE CREAM PRICES

As with milk, the cost of delivering ice cream to schools is influenced by volume, service and constraints imposed by delivery circumstances. The item which contributes most to high distribution cost is the practice of requiring ice cream dealers to supply and/or stock ice cream display cabinets. The reason for this practice is that many school districts have holding freezers which are not exactly trustworthy when it comes to keeping ice cream hard frozen. Moreover, cafeterias may not have low temperature display cases suitable for displaying ice cream on serving lines. The furnishing of ice cream cabinets by suppliers adds materially to the cost of the product over the long run. Eventually, ice cream suppliers are likely to phase out the practice of furnishing cabinets to schools. This practice has long been discontinued in the private and institutional sectors. To minimize the future cost of ice cream products, school districts are obligated to consider purchasing ice cream display units.¹ Small display units can be purchased and back-up stock held in walk-in freezers for a few days, provided that the temperature in these units is held at zero or below. When ice cream is put into a holding freezer, the thermostat should be set below zero and the product placed near the coils.

BREAD PRICES

Bread prices may vary in accord with a dealer's processing and distribution costs, as well as the regulated prices paid for raw milk. Processing costs depend largely on volume, processing methods and labor costs, none of which can be influenced by a school district. Distribution cost, however, is another matter. Most of the costs incurred in distribution can be allocated to delivery, which includes the salary and commissions paid to driver-salesmen. The cost of distribution to schools might vary from 10 to 17 percent, depending on volume, delivery distance, frequency and size of delivery drops and the extent of other services required.

Minimizing Distribution Costs

The cost of delivering bread is influenced by volume, service, and constraints imposed by delivery circumstances. The item which contributes most to high distribution cost is the practice of requiring delivery two or three times a week. Since bread is fairly stable, food service managers should try to make do with weekly deliveries.

¹ Used display cabinets may be available at modest cost through ice cream dealers.

GROUND BEEF PRICING¹

This section is inserted by the authors at the request of the USDA-FNS, although it more appropriately belongs in a subsequent manual proposed by FNS LUMP SUM PURCHASING METHODS: A Manual for Very Large School Districts. See Part 1 - Introduction of this Manual.

School districts utilizing reimbursable cost plus fixed fee contract purchasing methods, as outlined herein, should look to purchasing their ground beef off-of-the-shelf through commercial distributors in accord with the specifications set forth in the USDA-FNS Manual "Catalog of Specifications."

However, the contents of this section might be applicable to medium to large school districts who find it politically or otherwise expedient to purchase ground beef from a local beef fabrication and freezing house.

In such instances, ground beef can be purchased on an annual contract based on a combination of a fixed fee for service and formula pricing for ingredients. The ingredients price is based on "The Yellow Sheet" published by the National Provisioner Daily Market Service.

Based on an order for 78 percent lean and 22 percent fat (by chemical analysis) in the finished product, 72 percent of the input beef must consist of 90 percent lean trimmings and the balance of 28 percent must consist of meat which is 50 percent lean. Thusly:

- The mix for 100 pounds of ground beef should consist of 72 pounds of 90 percent "lean trimmings" and 28 pounds of 50% lean, as defined by the Yellow Sheet (72 @ 90% = 64.8/28 @ 50% = 14.0/= 78.8% lean).
- If the current Yellow Sheet price for 90 percent lean trimmings is \$1.03 per pound and the Yellow Sheet market price for 50 percent lean is \$0.485, the cost per 100 pounds is as follows:

$$\begin{array}{rcl} 72 \text{ pounds of } 90\% & \times & \$1.03 = \$74.16 \\ 28 \text{ pounds of } 50\% & \times & \$0.485 = \$13.58 \\ \hline 100 \text{ pounds of } 78\% & & = \$87.74 \end{array}$$

¹ Courtesy (as per the USDA-FNS) of Monfort of Colorado, Greeley, Colorado and Kenneth J. Henderson, Chicago Public Schools.

Based on 1 to 1.5 percent shrinkage during cutting, grinding and packaging (and freezing), the amount of ground beef yield for every 100 pounds of input is 98.5-99 pounds. Based on a 99 percent yield, the per pound cost of raw ingredients would be certified as follows:

\$87.74 per 100 wt.
 ÷ 99 lbs. = \$0.8862 per lb.
 = cost of ingredients.

NOTE: The Yellow Sheet prices used by the packer relate to a specific mutually agreeable day of the week, i.e., Thursday prior to date of order.

- The bidder's price to the buyer would include ingredient cost (see above), plus a fixed fee per pound (or hundred weight); i.e., \$0.1131 per pound. Accordingly, the price billed to the buyer would be as follows:

Ingredients	\$0.8862
Service Fee	<u>0.1131</u>
Selling Price	<u><u>\$0.9993</u></u>

The service fee of \$0.1131 may include \$.03 to \$.04 per pound for USDA acceptance service; \$.05 to \$.06 per pound for direct operating costs, i.e., labor, equipment, freezing, materials for packaging, etc.; and the balance for delivery, overhead and profit, thusly:

USDA Acceptance Service	\$0.0350
Operating Cost	.0550
Delivery, Overhead & Profit	<u>.0231</u>
Service fee	\$.1131
Ingredient Costs	<u>.8862</u>
Total	.9993
Add Operating Cost for Patties (Quoted as a Fixed Fee)	<u>.0450</u>
Price Paid for Patties	\$1.0443

NOTE: The fee for services should be fixed for the duration of the contract, i.e., one year.

- It is the suppliers' responsibility to present copies of the Yellow Sheet prices used and show the calculations related to ingredient costs.

Ground beef may be purchased on the same basis for mixes containing VPP (Vegetable Protein Products). The VPP cost in small contracts is normally included in the fixed fee, although it is permissible to pay the VPP cost based on the packer's latest invoice, particularly in large annual contracts. In purchasing ground beef on the foregoing basis, it is essential for the buyer to practice rigid acceptance procedures, particularly with respect to weight, count, and product condition and temperature on arrival.

Contracts for ground beef based on formula pricing are based on the lowest bid for service fees provided that the bidders have been prequalified with regard to efficiency of operations, including freezing, and operate under USDA or State certification.

COOPERATIVE BUYING

Small school districts can improve their buying power by purchasing cooperatively. Ten school districts with four schools each can swing a lot of volume -- the equivalent of a 40-school district. In most states a formal organization is not required. District representatives simply get together and issue a single bid for the requirements of the group.

Each school brings to a meeting a list of all items and requirements for the bid period. Similar items can be combined, upon mutual agreement. No infringement is made upon a school district's prerogative to choose and specify its own items. Once lists are accepted and contracts arranged, each school district places its own orders with suppliers.

PRICES TO SCHOOL-OPERATED WAREHOUSES

School districts may obtain lower prices by having merchandise delivered, lump sum, on an infrequent basis to a central warehouse. However, nearly always, the cost of redistributing (warehousing and delivering) more than offsets the reductions in product prices. The smaller the volume handled through a central warehouse, the higher the cost of redistribution and the less the savings in product prices.

A very large school district, however, may benefit from a central warehouse, but this would depend on a number of factors, including the size of the warehouse, funding available to carry substantial inventories, and the extent of competition among local suppliers. The problems with a school-operated warehouse boil down to: (a) insufficient volume to achieve economies of scale; (b) the inability to competitively book long term suppliers; and (c) the constraint imposed by a 9 month operation.

For example, a school district with 50 kitchens, serving 20,000 meals per day, purchases about \$2 million worth of meat and grocery items per year. It is therefore difficult to compete on an economies of scale basis with a commercial distributor who has a volume of \$50-\$100 million per year. Accordingly, a school district with as many as 250 schools would generate a meat and grocery volume of about \$10 million per year. A district with this volume might exercise some efficiencies in purchasing items in the meat and non-food groups because these items may be purchased directly from packers. But purchasing power may be diluted with other grocery items, many of which have to be purchased through local distributors, either because they are "franchised" or the quantities specified are below a packer's minimum shipping quantity. Unless a school district has enough volume to book items on an annual basis and make purchases in full trailerload or railcar lots, the prices paid may be substantially above the prices paid by commercial distributors.

The practice of operating one's own food distribution programs practically nonexistent in the private sector of the food service industry. The reason is that commercial distributors, who serve a multitude of outlets, can operate at a much higher volume and much more cost effectively within a geographical region. The practice of school districts operating their own warehouse facilities started some years ago when school districts were forced into warehouse operations as a means to provide facilities for storing USDA donated foods and subsequently added commercial supplies. This recourse is no longer necessary in states in which donated foods are handled by commercial distributors.

APPENDICES



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT
POLICY

JUL 9 1985

Mr. Joseph E. Shepherd
Director, Food Distribution Division
Food and Nutrition Service
Department of Agriculture
3101 Park Center Drive
Alexandria, VA 22302

Dear Mr. Shepherd:

This letter responds to questions raised in your letter to me of June 26, 1985 and other questions discussed in our meeting of April 11, 1985.

You advise that school districts have, after a competitive process, entered into agreements for food supplies with distributors or consolidated buying services under which, in some instances, the school district reimburses the supplier on the basis of the cost of the food supplies plus a percentage of such cost.

Your letter of June 26 states that the supplier "does not exercise control over the product cost" since it "buys from manufacturers at a going market price and the items involved are common to the market place, i.e., the contracting school district is just one among many buyers."

We also understand from our April 11 meeting that the type of arrangement you contemplate is common in the commercial trades. Further, that distributors are accustomed to doing business in this manner and that the arrangement could have the effect of increasing competition and thus reducing cost.

You advise that concern has been expressed that such arrangements violate the prohibition in Attachment O to OMB Circular A-102 against cost plus a percentage of cost contracting (CPPC). CPPC contracts are prohibited because contractors, under such an arrangement, have no motivation to control costs; the greater the costs the greater the profit. This prohibition, however, does not apply to a mark-up by vendors having little or no control over the elements of cost, value of sales, or the items to be selected by the user. A cost plus percentage of cost contract occurs when the costs are not fixed and the profit increases as costs increase.

In sum, in our opinion, the arrangements you describe are not CPPC contracts prohibited by the terms of Attachment O of OMB Circular A-102.

Sincerely,

Owen Birnbaum
Deputy Associate Administrator

Milk Marketing Order Offices

ARIZONA

2617 North 24th Street
Phoenix, AZ 85008

Fort Smith
2617 North 24th Street
Phoenix, AZ 85008

ARKANSAS

3518 W. Roosevelt Road
P.O. Box 4225
Asher Avenue Station
Little Rock, AR 72204

COLORADO

7 Parker Place, Suite 271
2600 S. Parker Road
Denver, CO 80232

Lake Mead
7 Parker Place, Suite 271
Denver, CO 80232

Western Colorado
7 Parker Place, Suite 271
2600 S. Parker Road
Denver, CO 80232

FLORIDA

2826 E. Oakland Park Blvd.
P.O. Box 11368
Ft. Lauderdale, FL 33306

Upper Florida
2826 E. Oakland Park Blvd.
P.O. Box 11368
Ft. Lauderdale, FL 33306

Tampa Bay
2826 E. Oakland Park Blvd.
P.O. Box 11368
Ft. Lauderdale, FL 33306

GEORGIA

Suite 109, Northgate Office
Park
3610 Interstate 85, N.E.
P.O. Box 49025
Atlanta, GA 30359

ILLINOIS

72 West Adams Street
Room 800
Chicago, IL 60603

INDIANA

5130 N. Brouse Ave.
P.O. Box 55527
Indianapolis, IN 46205

IOWA

8350 Hickman Road
P.O. Box 3688
Urbandale Station
Des Moines, IA 50322

KANSAS

7819 Conser Place
P.O. Box 4606
Overland Park, KA 66204

Eastern South Dakota
7819 Conser Place
P.O. Box 4606
Overland Park, KA 66204

Greater Kansas City
7819 Conser Place
P.O. Box 4606
Overland Park, KA 66204

1613 Roanoke
P.O. Box 1961, Main Office
Wichita, KS 67201

KENTUCKY

3920 Bardstown Road
Louisville, KY 40128

Milk Marketing Order Offices Cont'd.

LOUISIANA

3001 Ridgelake Drive
P.O. Box 7250
Metairie, LA 70011

106 E. Kings Highway
P.O. Box 4066
Shreveport, LA 71104

MASSACHUSETTS

230 Congress St., Rm. 403
Boston, MA 02110

MICHIGAN

2684 W. Eleven Mile Rd.
Berkeley, MI 48072

First Nat'l Bank Bldg.
Room 308
P.O. Box 505
Escanaba, MI 49829

MINNESOTA

Upper Midwest
4570 W. 77th St., Suite 210
Minneapolis, MN 55435

MISSOURI

Paducah
2550 Schuetz Road
P.O. Box 1485
Maryland Heights, MO 63043

Southern Illinois
2550 Schuetz Road
P.O. Box 1485
Maryland Heights, MO 63043

St. Louis-Ozarks
2550 Schuetz Road
P.O. Box 1485
Maryland Heights, MO 63043

Central Illinois
2550 Schuetz Road
P.O. Box 1485
Maryland Heights, MO 63043

NEBRASKA

Nebraska-Western Iowa
8424 W. Center Rd., Rm. 400
Omaha, NE 68124

NEW YORK

205 East 42nd Street
New York, NY 10017

NEW MEXICO

Rio Grande Valley
2607 A Wyoming, N.E.
P.O. Box 14695
Albuquerque, NM 87110

OHIO

Eastern Ohio-Western Pa.
7851 Freeway Circle
Middleburg Heights, OH

P.O. Box 30128
Cleveland, OH 44130

Ohio Valley
5950 Sharon Woods Blvd.
P.O. Box 29226
Columbus, OH 43229

OKLAHOMA

4325 E. 51st Street
P.O. Box 45563
Tulsa, OK 74145

Oklahoma Metropolitan
4325 E. 51st Street
P.O. Box 45563
Tulsa, OK 74145

Lubbock-Plainview
4325 E. 51st St.
P.O. Box 45563
Tulsa, OK 74145

Red River Valley
4325 E. 51st St.
P.O. Box 45563
Tulsa, OK 74145

Milk Marketing Order Offices Cont'd.

OREGON

Farmers Center Building
13333 SW. 68th Parkway
P.O. Box 23606
Portland, OR 97223

TENNESSEE

218 Kingston-Forest Bldg.
4711 Old Kingston Pike, S.W.
P.O. Box 10508
Knoxville, TN 37919

Nashville
P.O. Box 40765
Nashville, TN 37204

Memphis
P.O. Box 12266
Binghampton Station
Memphis, TN 38112

TEXAS

11117 Shady Trail
P.O. Box 29529
Dallas, TX 75229

UTAH

2865 S. 300 West St.
Salt Lake City, UT 84115

WASHINGTON

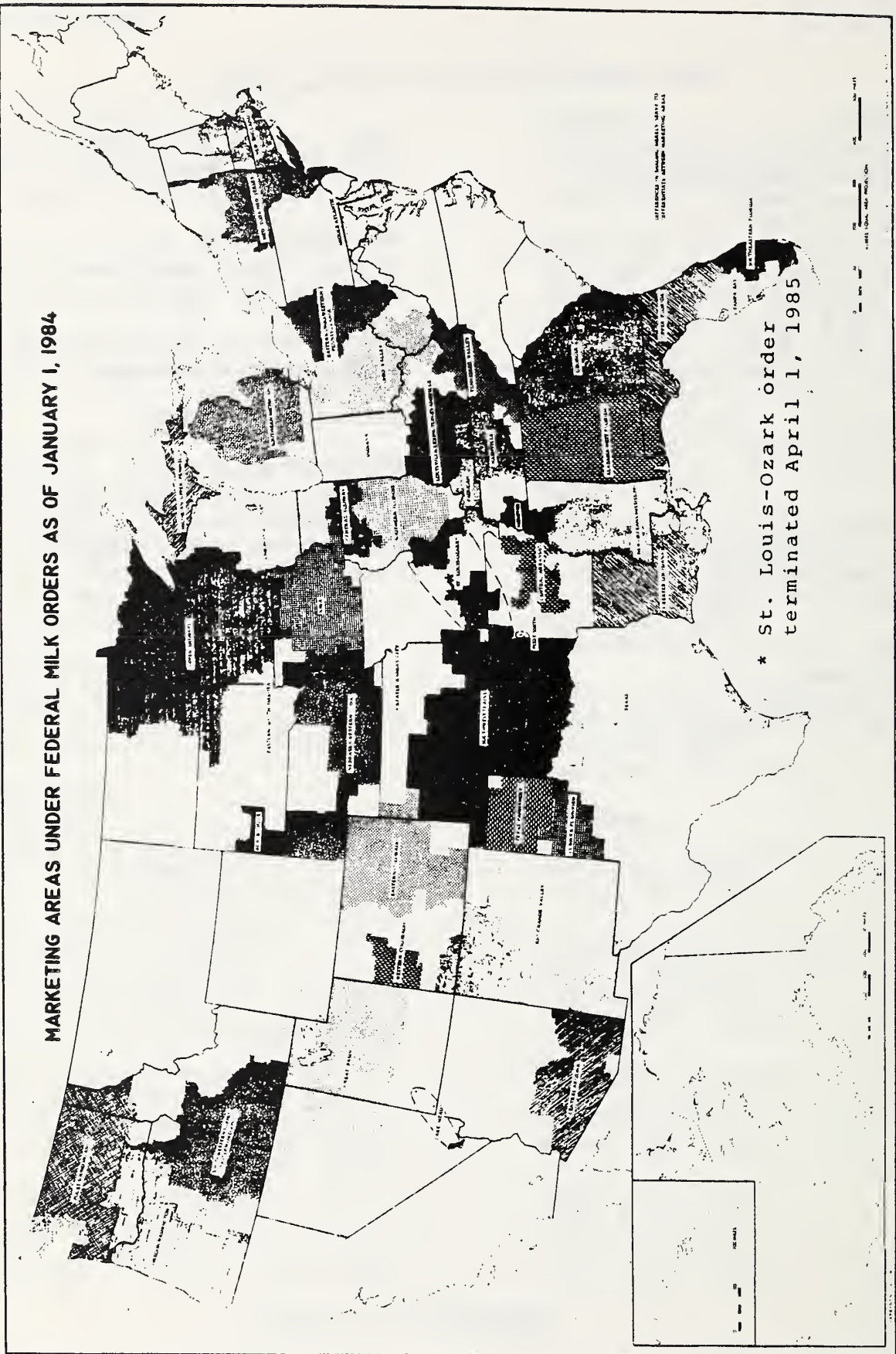
16 West Harrison Street
Seattle, WA 98119

Inland Empire
1028 Rosewood Avenue
P.O. Box 3704
Spokane, WA 99220

WASHINGTON, D.C.

Agricultural Marketing Service
Department of Agriculture
Washington, D.C. 20250
Phone (202) 447-4664

MARKETING AREAS UNDER FEDERAL MILK ORDERS AS OF JANUARY 1, 1984



* St. Louis-Ozark order terminated April 1, 1985

MAJOR BUYING GROUPS OFFERING FOOD PRODUCTS TO DISTRIBUTORS

ALL KITCHENS

209 Main Street
Boise ID 83702
Phone 208-336-7003
Contacts: Pat Haas,
V.P., Operations
Pam Bly, V.P., Mktg.
Labels:
All Kitchens - Green
All Kitchens - Blue
Kitchen Value - Red

BONDED FOODS CO.

1 Capital Center
Boise ID
Phone: 208-342-7771
Contacts: Ernie Voigt
Labels:
Golbon
(only one label)

CFS CONTINENTAL

100 Wacker Drive
Chicago IL 60606
Phone: 312-368-7500
Contacts: Fred Robinson
V.P., Bid Contracts
Roger Davidson 213-887-3140
San Francisco
Labels:
CFS Continental - Gold
CFS Continental - Red
CFS Continental - Blue

CODE

400 Holiday Drive, Suite #250
Pittsburg PA 15220
Phone: 412-921-1101
Contacts: Scott Ganzer
Purchasing
Bob Gillespie
Labels:
Code - Red
Code - Blue
Code - Green

F.A.B., INC.

6400 Atlantic Blvd. Suite 140
Norcross GA 30017
Phone: 404-449-1333
Contacts: John Schultz
Director, Quality Assurance
Louis Dell, President
Labels:
Frosty Acres
Garden Delight

FEDERATED FOODS, INC.

3025 Salt Creek Lane
Arlington Hts. IL
Phone: 312-577-1200
Contacts: Gary Burlette
Joe Poole
Labels: - 2 sets of labels
Red & White - Red Parade - Red
Red & White - Blue Parade - Blue
Red & White - Yellow Parade - Green

KRAFT, INC.

Kraft Court
Glenview IL 60025
Phone: 312-998-2361
Contacts:
John Forman
Ellen Thomas - Compliance
Labels:
Kraft - 5 Star - Blue
Kraft - 4 Star - Red
Kraft - 3 Star - Green

LIL BRAVE DISTRIBUTORS, INC.,

9504 E. 63rd PO Box 16570
Kansas City MO 64113
Phone: 816-356-6900
Contacts:
Tom Brier, President
Pat Brier
Labels:
Lil Brave - Blue
Lil Brave - Red
Lil Brave - Green

Labels listed in order of quality, i.e., first label is fancy, second quality is choice or extra standard and third label is standard. Choice is the top quality of canned fruits available in any appreciable quantity. Apples, berries, cherries, prunes and tropical fruits are exceptions. Most buying groups label choice under their top label. Code labels choice fruits under their second or blue label.

MAJOR BUYING GROUPS OFFERING FOOD PRODUCTS TO DISTRIBUTORS (Con't.)

NIFDA

PO Box 19936
Atlanta GA 30325
Phone: 404-952-0871
Contacts:
Tom Morin
Director Quality Assurance
Jim Miller
Labels:
NIFDA - Blue
Chef Pac - Red
Econo Pac - Green

NORTH AMERICAN FOODSERVICE

250 S. Wacker Drive
Chicago IL 60606
Phone: 312-263-0581/209-957-7306
Contacts:
Dan Lawlor
Vice President-Grocery & Canned Products
Ray Nelson-V.P. West Coast Operations
Labels:²
North American - Blue

NUGGET BRAND DISTRIBUTORS

4226 Coronado Ave. PO Box 8309
Stockton CA 95208
Phone: 209-948-8122
Contacts:
Walter Clark
Director Quality Assurance
Labels:
Nugget - Black
Nugget - Red
Nugget - Green

PLEE-ZING

1640 Pleasant Rd
Glenview IL 60025
Phone: 312-998-0200
Contacts:
Herbert Menches, Ex. V.P.
Labels:
Plee-zing
Little Mommy
Partake

POCAHONTAS FOODS USA

7420 Ranco Road PO Box 9729
Richmond VA 23228
Phone: 804-262-8614
Contact:
Bob Sledd
Wayne Gaudling
Labels:
Pocahontas
Mount Sterling
Wigwam

PYA/MONARCH, INC.

2818 Whitehorse Road
Greenville SC 29611
Phone: 803-233-9933
Contacts:
James T. Pierce, Chairman & CEO
John Gates Ex. V.P.
Labels:
Monarch - Blue
Monarch - Red
Monarch - Green

2 Distributors of North American may develop their own labels, but use North American packers and grade standards. They may also use different colors than NA. School district food service supervisors must determine the House labels used by North American Distributors in your area.

MAJOR BUYING GROUPS OFFERING FOOD PRODUCTS TO DISTRIBUTORS (Con't).

S. E. RYKOFF

761 Terminal Street

PO Box 21917

Los Angeles CA 90021-0917

Phone: 213-622-4131

Contacts:

Thomas R. Rykoff, V.P. Purchasing

Chris Adams, Ex. V.P.

Labels:

SER

Golden Rey³

Silver Rey

Glowing Star

Sexton - Red

Sexton - Blue

Sexton - Green

SYSCO FOOD SERVICES, INC.

535 Portwell Street, P.O. Box 15316

Houston, TX 77020

Phone: 713-672-8080

Contacts:

Frank R. Lassiter, Director of Merchandising

Cochran/Sysco Food Services

P.O. Box 2900

Jackson, MS 39207

Phone: 601-354-1701

Labels:

Sysco Supreme - Gold

Sysco Imperial - Blue

Sysco Classic - Red

Sysco Reliance - Green

Value Line - Brown

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Rykoff, Sysco (and perhaps others) have super grade labels not included herein because school district food service supervisors would not specify these "top of the Grade" items.

APPENDIX C Concluded

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Abuelita	Herndon, VA	Dean Suarez	Mexican Foods
Allen Foods	St. Louis, MO	Walter Kobylecky	Mixes/Extenders
American Meat Institute	Arlington, VA	George Wilson	Cured Pork Products
ARA Food Service	Philadelphia PA	Morris Bronstein	Systems of Purchasing
Archer Daniels Midland	Decatur, IL	Ray Parkin	VPP
A. E. Staley	Decatur, IL	Dick Lockmiller	VPP
Amoco	Atlanta, GA	Ed Gilredth	Foam Products
Ardmore Farms	De Land, FL	Chuck Spence	Frozen Juices
Baker's (General Foods)	Dover, DE	Rudy Mesnak	Cocoa & Coconut
Basic American	San Francisco, CA	Anna Lloyd	FF Potatoes
Beatrice Foods	Chicago, IL	Tony Luiso	Product Line
Bil-Mar Foods	Zeeland, MI	Jim Klinger	Turkey Products
Borden, Inc.	Jackson, MS	Bill Harper	Milk & Ice Cream
Borden, Inc.	Columbus, OH	Don Schuchter	Ice Cream
Campbell Soup	Camden, NJ	Valerie Robinson	Soup Products
Campbell Soup	Camden, NJ	Robert Berryman	Discounts
Castle & Cook	San Francisco, CA	Dennis Bida	Fruit
Central Soya	Ft. Wayne, IN	Charles Klinger	VPP
CFS Continental	Chicago, IL	Fred Robinson	Contract Buying
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Citrus World	Lake Wales, FL	Keven Gaffney	Fruit Juices
Clear Shield Nat'l. Inc.	Wheeling, IL	Mary Jo Cummings	Straws
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Delicious Foods	Grand Island, NE	Magaret Berggren	Onion & Vegetable Rins
Del Monte	San Francisco, CA	Pattie Meinver	Canned Fruits
Del Monte Frozen Foods	San Francisco, CA	Gary Payne	Bakery Products
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DuBoise Chemical	Cincinnati, OH	Jack Kortekemp	Dish Washing Supplies
Dun Bar	Limestone, TN	Terry Sams	Peppers and Pimentos
Eckrich	Ft. Wayne, IN	Lamar Hendricks	Beef Roast
FDL Foods	Dubuque, IA	Kathy Noel	Canned Meats
Farm Fresh Catfish	Greensboro, AL	Phil Langford	Catfish
Flavorland Foods	Forest Grove, OR	C. Vandervelden	IQF Fruits
Frosty Acres	Atlanta, GA	John Shultz	Frozen & Canned Foods
Ft. Howard	Green Bay, WI	Alberta L. Sauer	Paper Products
General Foods	White Plains, NY	Al Daros	Cereal Products
General Mills	Minneapolis, MN	Dave Sundeen	Flour
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Holly Farms	Wilksboro, NC	Ken May	Poultry Products
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Hormel	Austin, MN	Joe Sweatburg	Cured Hams
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James River	Norwalk, CT	Rita Topp	Paper Towels
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Keebler	Elmhurst, IL	Fred Whitson	Crackers
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Kraft, Inc.	Glenview, IL	Dan Denker	Cheese Products

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Nifda	Atlanta, GA	Tom Morin	Frozen & Canned Food
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Nuggett	Stockton, CA	Walter Clark	Frozen & Canned Food
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Oscar Meyer	Madison, WI	Pat Luby	Meat Products
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Pillsbury	Minneapolis, MI	Fred Adler	Baking Products
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Schreiber Foods Co.	Green Bay, WI	Stan Leggett	Cheese
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SCHOOL DISTRICTS

Over two hundred school districts have contributed to the preparation of this Technical Assistance Manual. The following school districts are due special recognition:

Arlington Independent School District	Arlington TX
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Caldwell School Food Service	Caldwell ID
Charleston County School District	Charleston SC
Chattanooga Public Schools	Chattanooga TN
Chicago School District	Chicago IL
Clayton County Board of Education	Morrow GA
Columbus Public Schools	Columbus OH
Corpus Christi Independent School District	Corpus Christi TX
Dade County School District	Miami FL
Deschutes County School District	Bend OR
Dougherty County School System	Albany GA
Elizabeth Board of Education	Elizabeth NJ
Federal School District	Federal Way, WA
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Greenwood Separate School District	Greenwood MS
Guinnett County Public Schools	Lawrenceville GA
Gulfport Separate School District	Gulfport MS
Hinds County School District	Jackson MS
Huntsville City Schools	Huntsville AL
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Memphis City School District	Memphis TN
Meridian Separate School District	Meridian MS

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New Hanover County School Food Service	Wilmington NC
New York City Public School District	New York NY
Ohio Valley Educational Cooperative	Louisville KY
Philadelphia School District	Philadelphia PA
Portland Public Schools	Portland OR
Prince George County Public Schools	Upper Marlboro MD
Provo School District	Provo UT
Reidsville City School Food Service	Reidsville NC
Richland County School District	Columbia SC
Rock Hill School District	Rock Hill SC
San Juan Unified School District	Carmichael CA
Seattle School District No. 1	Seattle WA
Spartanburg County School Food Service	Spartanburg SC
Souderton Area School District	Souderton PA
Three Rivers Consortium	Aberdeen MS
Twin Falls School Lunch	Twin Falls ID
Ventura Unified School District	Ventura CA
Washington County School Cafeterias	Hagerstown MD
West Point Separate School District	West Point MS
Yakima School District	Yakima, WA

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DEFINITIONS OF PURCHASING TERMS

Following is a list of definitions of terms which are common to the purchasing of foods and other items.

Acknowledgment -- A form used by a vendor to advise a purchaser that his order has been received. It usually implies acceptance of the order.

Acquisition Cost -- The net cost for acquiring non-expendable equipment, including any attachments, accessories, or auxiliary apparatus necessary to make it usable for the purposes for which acquired. Related costs such as taxes, protective in-transit insurance, freight or installation are also included.

Advertising -- See formal advertising; legal notice.

Advice of shipment -- A notice sent to a purchaser advising that shipment has gone forward and usually containing details of packing, routing, etc.

Agent -- A person authorized by another, called a principal, to act for him.

All-or-none bid -- a bid for a number of different items, services, etc., in which the bidder states that he will not accept a partial award, but will accept only an award for all the items, services, etc., included in the bid. Such bids are acceptable only if provided for in the invitation for Bids or if the bidder quoted prices for all items, services, etc., and is actually the low bidder for every one.

Alternate bid -- (1) A response to a call for alternate bids. See alternate bid, call for. (2) A bid submitted with the knowledge that it varies from the specifications. Such a bid is only acceptable when the variance is deemed to be immaterial.

Alternate bid, call for -- An Invitation for Bids for a single need that can be filled by commodities of varying materials, dimensions, or styles. Bidders may submit one or more bids for each material, style, etc., and only one award will be made based on an assessment of what is best for the Government, taking price as only one factor involved. For example, you may ask for bids for cut green beans but accept bids for other styles of green beans as well. After receiving the bids, you may decide you prefer more expensive whole green beans because they offer a better buy.

Antitrust legislation -- Laws that attempt to (a) prevent or eliminate monopolies or oligopolies and (b) prevent noncompetitive practices.

Authorized price list -- A price list of the products or services covered in a contract which contains minimum essential information needed by users for placing orders.

DEFINITIONS OF PURCHASING TERMS Continued

Appropriation -- (1) Legislative sanction to use public funds for a specific purpose, and (2) Money set apart for a specific use.

Approved brands list -- See qualified products list.

Arbitrary and capricious action --

A willful and unreasoning action, without consideration of, and in disregard of, the facts and circumstances, without rational basis; grounds for a court to overrule or remand a discretionary decision or action by an administrative authority of the Government.

Arbitration -- A process by which a dispute between two contending parties is presented to one or more disinterested parties for a decision.

Architect and Engineer (A&E) -- All professional services associated with the research, design, and construction of facilities.

Arrival Notice -- A notice sent by a carrier to a consignee advising of the arrival of a shipment.

As is -- A term indicating that goods offered for sale are without warranty or guarantee, and that the purchaser takes the goods at his own risk without recourse

against the seller for the quality or condition of the goods.

Association of Food and Drug Officials of the United States (AFDOUS) -- An organization which establishes criteria for shipping, handling, and maintaining frozen food products from processor to user at a temperature below 0°F.

Association of Official Agricultural Chemist (AOAC) -- An organization which provides official testing methodologies and procedures, i.e., physical, chemical and microbiological, and approves tolerance of food products.

Award -- The presentation of a purchase agreement or contract to a bidder; the acceptance of a bid or proposal.

Back-door buying -- Making a purchase without going through the central purchasing authority.

Back order -- That portion of an order which a vendor cannot deliver at the scheduled time and which he has reentered for shipment at a later date.

Base price -- (1) A price agreed on at the time the contract is awarded exclusive of added sources; assumes prompt payment. (2) A beginning price for a product before a service is considered. See acquisition cost.

DEFINITIONS OF PURCHASING TERMS

Base price procurement -- A practice where a price is established based on a market news source. The vendor then limits his price for services and profit to a specific amount above or below the base price. See formula purchasing.

Best interests of the State (city, county) -- A term frequently used in granting a purchasing official the authority to use his discretion to take whatever action he feels is not advantageous to the government. The term is used when it is impossible to anticipate adequately the circumstances that may arise so that more specific directions can be delineated by the law or regulation.

Bid -- (1) An offer, as a price, whether for payment or acceptance. (2) A quotation specifically given to a prospective purchaser upon his request, usually in competition with other offerors. (3) An offer by a buyer to a seller, as at an auction.

Bid against specifications -- A purchasing procedure requiring a process of selecting a successful bid in response to a pre-established specification. See advertising; formal bid or offer.

Bid-aware file -- A file that is divided into commodity and item sections each of which contains listings of who was solicited for individual bids, what each response was, and other information. The bid-aware file is used to compare past bids for award patterns that might reveal collusive agreements or to make other comparisons of data.

Bid bond -- An insurance agreement in which a third party agrees to be liable to pay a certain amount of money in the event that a specific bidder, if his bid is accepted, fails to sign the contract as bid. See bid deposit; bid security.

Bid deposit -- A sum of money or check, deposited with and at the request of the Government, in order to guarantee that the bidder (depositor) will, if selected, sign the contract as bid. If the bidder does not sign the contract, he forfeits the amount of the deposit. See bid bond; bid security; forfeiture of deposit or bond.

Bid opening -- The process through which the contents of bids are revealed for the first time to the Government, to the other bidders, and usually to the public. See public bid opening.

Bid sample -- A sample required by the Invitation for Bids to be furnished as part of the bids to establish a quality level for the products being offered.

DEFINITIONS OF PURCHASING TERMS Continued

Bid security -- A guarantee, in the form of a bond or deposit, that the bidder, if selected, will sign the contract as bid; otherwise, the bidder (in the case of a deposit) or the bidder or his guarantor (in the case of a bond) will be liable for the amount of the bond or deposit. See bid bond; bid deposit.

Bidder -- Any person or firm that makes a bid.

Bidders list -- A list maintained by the purchasing authority giving the names and address of suppliers of various goods and services from whom bids, proposals, and quotations can be solicited. See prequalification of bidders; qualified bidder.

Bill -- A list of charges or costs presented by a vendor to a purchaser, usually enumerating the items furnished, their unit and total cost, and a statement of the terms of sale; an invoice.

Bill of lading (B/L) -- A written document issued by a common carrier acknowledging receipt of the goods named and setting forth the time of the contract of carriage.

Bill of materials -- A list specifying the quantity and character of materials and parts required to produce or assemble a stated quantity of a particular product.

Blanket order -- A purchase arrangement in which the purchaser contracts with a vendor to provide the purchaser's requirements for an item or a service, on an as-required and often over-the-counter basis. Such arrangements set a limit on the period of time they are to be valid and the maximum amount of money which may be spent at one time or within a period of time. See open-end contract; price agreement; requirements contract.

Blanket purchase -- See Blanket order.

Bona fide -- In good faith.

Bond -- An obligation in writing, binding one or more parties as surety for another.

Brand name -- A product name which serves to identify that product as having been made by a particular manufacturer; a trade name.

Brand name specification -- A specification that cites a brand name, model number, or some other designation that identifies a specific product as an example of the quality level desired. See equal to or better.

Breach of contract -- A failure without legal excuse to perform any promise which forms a whole or part of a contract. See forfeiture of deposit or bond.

DEFINITIONS OF PURCHASING TERMS Continued

Breach of warranty -- Infraction of an express or implied agreement as to the title, quality, content, or condition of a thing sold.

Bulk purchasing -- Purchasing in large quantities in order to reduce the price per unit; volume purchasing.

Buy against procedure -- A procedure which allows a purchaser to go out and buy at market price if a product specified cannot be delivered by vendor. The purchaser can then bill or credit the initial vendor for the difference in cost.

Buyer -- See purchasing agent.

Buyer's market -- Market conditions in which (a) goods can easily be secured and (b) economic forces of business tend to cause goods to be priced at the purchaser's estimate of value.

CAF -- Cost and freight.

Carload (CL) -- A railway carload or an equivalent. Standard carlot weight varies with each commodity.

Carrier of our choice -- Situations which the suppliers use their own transport, usually one with which they have special arrangements.

Cash discount -- A discount from the purchase price allowed to the purchaser if he pays within a specified period. See discount.

Cash on delivery (COD) -- Payment due and payable upon delivery of goods.

Catalog -- A listing of item identifications arranged systematically. See Federal Supply Catalog definition.

Caveat emptor -- "Let the buyer beware." A maxim that stands for the rule that the buyer should be careful in making a purchase because the burden of defective goods rests with him. The vendor can be made to take the responsibility for some defects through specifications and warranties.

Caveat venditor -- "Let the seller beware." A maxim relating to situations where the vendor bears the responsibility for defects in the goods he sells.

Central purchasing authority -- The administrative unit in a centralized purchasing system having the authority, responsibility, and control of purchasing activities.

Centralized purchasing -- A system of purchasing in which the authority, responsibility, and control of purchasing activities is concentrated in one administrative unit.

DEFINITIONS OF PURCHASING TERMS Continued

Certificate of compliance -- A supplier's certification that the supplies or services in question meet certain specified requirements.

Certificate of noncollusion -- A statement signed by a bidder and submitted with his bid to affirm that his bid is made freely without consultation with any other bidder.

Certified sampler or official sampler -- An individual certified by Federal or State agency to take samples, usually to insure contract compliance.

Claim -- The aggregate of the operative facts which serve as a basis for a demand for payment, reimbursement, or compensation for injury or damage under law or contract; the assertion of such a demand.

Code of ethics -- A written set of guidelines within which judgments and considerations of professional ethics and behavior should be made. See purchasing ethics.

Collusion -- A secret agreement or cooperation between two or more persons to accomplish a fraudulent, deceitful, or unlawful purpose.

Collusive bidding -- The response to bid invitations by two or more vendors who have secretly agreed to

circumvent laws and rules regarding independent and competitive bidding. See corrupt combination, collusion, or conspiracy in restraint of trade; price fixing.

Commercial law -- That branch of the law that designates the rules that determine the rights and duties of persons engaged in trade and commerce.

Commodity -- An article of trade, a movable article of value, something that is bought or sold; any movable or tangible thing that is produced or used as the subject of barter or sale.

Competition -- The process by which two or more vendors vie to secure the business of a purchaser by offering the most favorable terms as to price, quality, and service.

Competitive bidding -- The offer of prices by individuals or firms competing for a contract, privilege, or right to supply specified services or merchandise.

Competitive negotiation -- A technique for purchasing goods and services, usually of a technical nature, whereby qualified suppliers are solicited, negotiations are carried on with each bidder, and the best offer (in terms of performance, quality of items, price, etc.), as judged against proposal evaluation criteria, is accepted; negotiated award.

DEFINITIONS OF PURCHASING TERMS Continued

Condition -- (1) Quality characteristic of a product after grading, packaging, and processing, affected by external factors, such as time, temperature, humidity, and handling as well as damage from insects, pests, and chemicals. NOTE: Condition factors are generally not included as part of the grade since they occur after the product is officially graded. (2) Condition refers to factors which may change with time such as maturity, decay, freezing or thawing injury, shriveling, and flabbiness. See quality and condition.

Confirming order -- A purchase order issued to a vendor, listing the goods or services and terms of an order placed verbally, or otherwise, in advance of the issuance of the usual purchase document.

Conflict of interest -- A situation where, as part of his duties, an individual must make a decision or take action that will affect his personal interests.

Consideration -- Acts, promises, or things of value exchanged by two parties and serving as the basis for a contract between them.

Consultants and experts -- Those persons who are exceptionally qualified, by education or by experience, in a particular field to perform some specialized service.

Contingency -- A possible future event or condition arising from presently known or unknown causes, the outcome of which is indeterminate at the present time.

Contract -- A deliberate verbal or written agreement between two or more competent persons to perform or not to perform a specific act or acts.

Contract administration -- The management of all facets of contracts to assure that the contractor's total performance is in accordance with his contractual commitments and that the obligations of the purchaser are fulfilled. In government, this management is conducted within the framework of delegated responsibility and authority and includes the support of using agencies.

Contract modification -- An alteration that introduces new details or cancels details but leaves the general purpose and effect of the contract intact.

Contract record -- A record providing complete information on the orders placed for delivery of goods in a contract so that the volume of purchase against the contract can be determined.

DEFINITIONS OF PURCHASING TERMS Continued

Contractor -- One who contracts to perform work or furnish materials in accordance with a contract.

Contractual services -- Services furnished under a contract which defines charges, effective periods, and extent of work.

Convenience termination clause --
A contract clause which permits the buyer to terminate, at its own discretion, the performance of work in whole or in part, and to make settlement of the vendor's claim in accordance with appropriate regulations.

Cooperative purchasing -- The combining of requirements of two or more political entities in order to obtain the benefits of volume purchases, reduction in administrative expenses, or both.

Corrupt combination, collusion, or conspiracy in restraint of trade --
A

phrase referring to an agreement between two or more businesses to stifle, control, or otherwise inhibit free competition in violation of State and or Federal anti-trust statutes. See collusive bidding; price fixing.

Cost plus Fixed Fee contract -- A long term contract (annual) whereby reimbursement is made for the cost of a product to a distributor plus a fixed (annual) fee per unit (case) for service.

Whereas cost prices may fluctuate with proof of purchase, fixed fees may not. Although recommended in certain isolated instances, a fixed percentage may be used instead of a fixed fee, providing cost prices are determined by a third party, i.e., standard packer prices.

Damages -- Compensation, usually in money, for injury to goods, persons, or property.

Debarment -- A shutting out or exclusion for cause (as a bidder from the list of qualified bidders).

Debt -- Any obligation to pay money. Ordinarily the term debt means a sum of money due by reason of a contract expressed or implied. Broadly, the word may include obligations other than to pay money, such as the duty to render services or deliver goods.

Default -- Failure by a party to a contract to comply with contractual requirements; vendor failure.

Defect -- (1) A nonconformance of an item with specified requirements. (2) In grading, blemishes or the inclusion of unwanted extraneous matter; something that detracts from appearance or quality.

Delivery schedule -- The required or agreed time or rate of delivery of goods or services purchased for a future period.

APPENDIX E Continued

DEFINITIONS OF PURCHASING TERMS Continued

Delivery terms -- Conditions in a contract relating to freight charges, place of delivery, time of delivery, and method of transportation.

Demand -- The desire to possess a commodity coupled with the willingness and ability to pay.

Very good -- Offerings or supplies are rapidly absorbed.

Good -- Firm confidence on the part of buyers that general market conditions are good. Trading is more active than normal.

Moderate -- Average buyer interest and trading.

Light -- Demand is below average.

Very light -- Few buyers are interested in trading.

Demurrage -- Charges made for using a trailer or box car beyond the time allowable under Interstate Commerce Commission (ICC) regulations.

Descriptive literature -- Information (such as charts, illustrations, drawings, and brochures which show the characteristics or construction of a product or explain its operation) furnished by a bidder as a part of his bid to

describe the products offered in his bid. The term includes only information required to determine acceptability of the product, and excludes other information, such as that furnished in connection with the qualifications of a bidder or for use in operating or maintaining equipment.

Design specification -- A purchase specification delineating the essential characteristics that an item bid must possess to be considered for award and detailing how the product is to be manufactured; generic specification.

Designation of special purpose -- A technique used when purchasing items for a special use for which no items of that kind are produced (e.g., sewing machines for teaching blind people to sew). Specifications used for the basic item are sent out along with a description of the special purpose for which the item will be used and a questionnaire asking what modifications bidders are willing to make in their standard products to meet the particular needs.

DEFINITIONS OF PURCHASING TERMS Continued

Discount -- An allowance or deduction granted by the seller to the buyer, usually when certain stipulated conditions are met by the buyer, which reduces the cost of the goods purchased. However, discounts may be granted by the seller without reference to stipulated conditions. An example of such use of discount is the application of discount to a nominal or "list" price to establish the "net" or actual price. See cash discount; quantity discount; standard package discount; trade discount.

Discount schedule -- The list of discounts applying to varying quantities of goods or applicable to differing classifications of purchasers.

Disposition -- Acting to remove from the premises and control of a using agency goods that are surplus or scrap. Disposition can be accomplished by transferring selling, or destroying the goods.

Dock -- The area where supplies are loaded, shipped from or delivered and unloaded.

Draw off orders -- To take from existing inventory; a means of reducing purchased inventory.

Emergency purchase -- A purchase made without following the normal purchasing procedure in order to obtain goods or services quickly to meet an emergency.

Equal to or better -- A phrase(s) used to indicate the substitutability of products of similar or superior function, purpose, design, or performance characteristics. See brand name specification.

Equal Employment Opportunity Program -- A plan to include minority groups or other disadvantaged persons in the work force of businesses affected by the plan.

Equipment -- Personal property of a durable nature which retains its identity throughout its useful life.

Escalation clause -- A clause in a purchase contract providing for upward adjustment of the contract price if specified contingencies occur; price escalation clause.

Ethics -- See code of ethics; purchasing ethics.

Evaluation of bid -- The process of examining a bid after opening to determine the bidder's responsibility, responsiveness to requirements, and other characteristics of the bid relating to the selection of the winning bid.

APPENDIX E Continued

DEFINITIONS OF PURCHASING TERMS Continued

Exhaustion of administrative remedies -- A legal doctrine to the effect that where an administrative remedy is provided by statute, relief must be first sought from the administrative body, and all attempts to obtain such administrative relief must be used up before the complaining party may look to the courts for relief.

Expedite -- To hasten or to assure delivery of goods purchased in accordance with a time schedule, usually by the purchaser contacting the vendor.

Express warranty -- Any affirmation of fact or promise made by a seller to a buyer which relates to the goods and becomes part of the basis of the bargain.

Extend, option to -- A part of a contract which contemplates a continuance of the original contract for a further time upon compliance with the conditions for the exercise of the option.

Fair market value -- A price that would induce a willing purchaser to purchase or a willing seller to sell in an open market transaction; the price a property would bring at a fair sale between parties dealing on equal terms.

Fair-trade statute -- A State law providing that a manufacturer may legally set a minimum resale price for his products and that retailers and distributors must observe that minimum.

Federal Circular A-102, Attachment 0, Procurement Standards, August 24, 1977 -- Official regulations governing the procurement activities of grantees of the Federal Grant Funds, i.e., local food service operators utilizing the Food and Nutrition Service (FNS) food service funds.

Federal Supply Catalog -- A catalog of available supplies for which there are Federal specifications and which are purchased in common by agencies of the Federal Government. Subsistence or food products are cataloged under Group 89. The Food Safety and Quality Service (FSQS) is responsible for maintenance of subsistence products included in Group 89 list. FSQS is, also, responsible for the development of specifications of all food items listed in Group 89.

Fidelity bond -- A bond which secures an employer up to an amount stated in the bond for losses caused by dishonesty or infidelity on the part of an employee.

DEFINITIONS OF PURCHASING TERMS Continued

Field purchase order -- A limited and specific purchase order used in situations where authority to make the type of purchase involved has been delegated to using agencies.

Firm bid-- A bid that binds the bidder until a stipulated time of expiration.

First In, First Out(FIFO) -- An inventory practice in which the oldest product is moved out first.

Fiscal year-- A period of 12 consecutive months selected as a basis for annual financial reporting, planning, or budgeting.

Fixed price contract -- A contract which provides for a firm price. the contractor bears the full responsibility for profit or loss.

FOB -- See free on board.

FOB Acceptance Final -- A contract provision which states there is no recovery for hidden damages at the delivery point. The terms of sale mandate the title changes to the buyer at the point of origin without recourse.

FOB Inspection Acceptance Arrival (FOBIAA) -- A contract provision which makes acceptance of the product dependent on approval by the buyer at the

destination, even when the product delivered meets the terms of the contract; contingent on buyer approval.

Forfeiture of deposit or bond -- A loss by omission, negligence, or misconduct resulting from the performance of or the failure to perform a particular act, (e.g., not accepting a contract when an award is made); breach of contract. See bid bond; bid deposit; fidelity bond; performance bond.

Formal advertising -- The placement of a notice in a newspaper or other publication according to legal requirements to inform the public that the government is requesting bids on specific purchases that it intends to make. See legal notice.

Formal bid or offer -- A bid which conforms to a prescribed format, is forwarded in a sealed envelope, and is opened at a specified time.

APPENDIX E Continued

DEFINITIONS OF PURCHASING TERMS Continued

Formula purchasing -- A system of purchasing whereby the supplier utilizes a pricing mechanism tied to a widely used and accepted price document, such as USDA Market News or other well-established commercial pricing sources; indicated in this booklet. In contrast to Cost-Plus-A-Percentage-Cost, this system allows for open competition and does not restrict potential suppliers from competing. See base price procurement.

Formal bid against specifications -- A formal proceeding at which bids are opened in front of the buyer or his representative. No adjustments can be made. See formal advertising; and formal bid or offer.

Forward purchasing -- The purchasing of quantities exceeding immediate needs in anticipation of a price increase or a future shortage.

Forward supply contract -- A contract for future supply of definite quantities of materials or services over a fixed period. May be drawn off by "draw-off-orders," or delivered at a fixed and predetermined rate set out in the contract.

Fraud -- An act resulting from a willful intent to deceive another with the purpose of depriving him of his rights or property.

Free On Board (FOB) -- Properly loaded into carrier. Under this provision the buyer

pays for transporting the food and the title changes at hands point of origin unless otherwise stated in contractor's specification. Any claims due to mishandling are the responsibility of the buyer, not the seller. Buyer must file all claims for damage.

Full cost recovery funding -- See Industrial funding.

Fungible -- Interchangeable; of such a kind or nature that one specimen or part may be used in place of another to satisfy an obligation. Flour and grain-like wheat are considered fungible.

General provisions -- The mandatory (by law or regulation) clauses for all contracts categorized by type of purchase or contract. Clauses devised especially for a given purchase are called special provisions.

Generic name -- Relating to or characteristic of a whole group or class; not protected by trademark registration.

Generic specification -- See design specification or Standard of Identity.

Goods -- Anything purchased other than services or real property.

DEFINITIONS OF PURCHASING TERMS Continued

Gross negligence -- The degree of lack of care that shows a reckless disregard for life or safety, or that indicates a conscious indifference to the rights of others.

Guarantee -- To warrant, stand behind, or ensure performance or quality, as a supplier in relation to his product.

Identical bid -- A bid that agrees in all respects with another bid.

Imprest funds -- Funds set aside as a cash reserve for expenditures made in accordance with established policies and controls; petty cash.

Improper influence -- Domination by one person over another so as to prevent the proper exercise of the latter's discretion.

IMPS -- Institutional Meat Purchase Specifications approved by the USDA. The IMPS are the most widely known and accepted specifications utilized by institutions. They are usually used in conjunction with the Food Safety and Quality Service's meat grading inspection acceptance service.

Industrial funding -- Full financing of program activities out of the sale of goods or services furnished; full cost recovery funding.

Ineligible bidder -- A supplier who, by reason of financial instability, unsatisfactory reputation, poor history of performance, or other similar reasons, cannot meet the qualifications for placement on the bidders list or for award.

Informal bid -- An unsealed competitive offer conveyed by letter, telephone, telegram, or other means.

Inspection -- Critical examination or testing of items to determine whether they have been received in the proper quantity and in the proper condition, and to verify that they conform to the applicable specifications.

Inspection report -- A report to inform the purchasing authority of the quality or condition of the items delivered.

In-state preference -- See preference.

Invitation for Bids -- A request, verbal or written, which is made to prospective suppliers requesting the submission of a bid on commodities or services.

IQF -- Individually quick frozen.

Item -- Any product, material, or service.

APPENDIX E Continued

DEFINITIONS OF PURCHASING TERMS Continued

Labor surplus area -- A geographical section of concentrated unemployment or underemployment, as designated by the U.S. Department of Labor.

Laid-in delivery -- Type of delivery in which the driver (or supplier) unloads the supplies.

Late bid or proposal -- A bid or proposal which is received at the place designated in the Invitation for Bids after the hour established by the invitation as the time by which all bids or proposals must be received.

Latent defect -- A defect which could not be discovered by ordinary and reasonable inspection.

LCL -- A quantity less than a carload.

Lead time -- The period of time from date of delivery during which the buyer allows the vendor to prepare goods for shipment.

Lease -- A contract conveying from one person (lessor) to another (lessee) real estate or personal property for a term in return for a specified rent or other compensation.

Lease-purchase agreement -- A rental contract in which the renting party's periodic payments or parts thereof are applied both to fulfill the rental obligation

and as installments for eventual ownership of the commodity upon completion of the agreement.

Legal notice -- The notice that is required by law. Legal notice for some purchases may be the posting of an announcement of the purchase in a public place, the notification of the appropriate bidders from the bidders list, a formal advertisement in a newspaper or newspapers, or a combination of these methods. See formal advertising.

License -- A nontransferable permission granted by a government or other authority to perform an act or to engage in an enterprise that is restricted or regulated by law.

Life-cycle costing -- A procurement technique which considers operating, maintenance, acquisition price, and other costs of ownership in the award of contracts to ensure that the item acquired will result in the lowest total ownership cost during the time the item's function is required.

Line item -- A procurement item specified in the Invitation for Bids for which the bidder is asked to give separate pricing information and which, under the terms of the invitation, is usually susceptible to a separate contract award.

DEFINITIONS OF PURCHASING TERMS Continued

Liquidated damages -- A specific sum of money, set as part of a contract, to be paid by one party to the other if one party should default on the contract.

List price -- The published price for an item.

LN₂ -- Liquid nitrogen.

Local preference -- See preference.

Local purchase -- A purchase by an agency for its own use or for the use of another agency logistically supported by it.

Lowest and best bid -- See lowest responsible bidder.

Lowest responsible bidder -- That bidder who is awarded a contract because his bid in unit price, total cost of operation, or value per dollar is lower than any of the bidders whose reputation, past performance, and business and financial capabilities are such that they would be judged by the appropriate government authority to be capable of satisfying the government's needs for the specific contract. Virtually the same as "lowest and best bid," "lowest and responsive and responsible bidder," and "most advantageous bid, price and other factors considered."

LTL -- A quantity less than a truckload.

Lump sum -- A price agreed upon between vendor and pur-

chaser for a group of items without breakdown of individual values; a lot price.

Manual -- See purchasing manual.

Manufacturer -- One who (1) controls the design and production of an item, or (2) produces an item from crude or fabricated materials, or (3) assembles materials or components, with or without modification, into more complex items.

Market (noun) -- The aggregate of forces that determine the prices and amount of trade in the exchange of goods.

Market (verb) -- To carry out all activities intended to sell a product or service. Includes advertising, packaging, surveying the potential market, etc.

Market -- The price or price level at which a commodity is traded.

DEFINITIONS OF PURCHASING TERMS Continued

Market Activity -- The pace at which sales are being made.

Active -- Available supplies (offerings) are readily clearing the market.

Moderate -- Available supplies (offerings) are clearing the market at a reasonable rate.

Slow -- Available supplies (offerings) are not readily clearing the market.

Inactive -- Sales are intermittent with few buyers or sellers.

Material(s) -- Supplies required to perform a function or manufacture an item, particularly that which is incorporated into an end item or consumed in its manufacture.

Misrepresentation -- A manifestation by words or other conduct that, under the circumstances, amounts to an assertion not in accordance with the facts.

Mistake in bid -- A miscalculation in composing a bid resulting in an incorrect price or other error which may affect the bidder's eligibility to be awarded the contract.

Modification -- Any formal revision of the terms of a contract.

Monopoly -- (1) An exclusive right or power to carry on a

particular activity. (2) The ownership or control of enough of the supply of or market for a product or service to stifle competition, control prices, or otherwise restrict trade.

Mostly -- The majority of sales or volume.

Multiple award -- The award of separate contracts to two or more bidders for the same commodities in situations where the award of a single contract would be impossible or impractical.

DEFINITIONS OF PURCHASING TERMS Continued

Mutual assent -- The state where the parties to a contract agree to all the terms and conditions in the same sense and with the same meaning.

NCA -- National Canners Association

Negligence -- The failure to do that which an ordinary, reasonable, prudent man would do, or the doing of some act which an ordinary, prudent man would not do. Reference must always be made to the situation, the circumstances, and the knowledge of the parties.

Negotiated award -- See competitive negotiation.

Negotiated purchase -- Generally not recommended, except under certain conditions as outlined by Circular A-102, Attachment O, Paragraph 3(C)(6).

New price -- Price after all discounts, rebates, etc., have been allowed.

New terms -- See discount.

No bid -- A response to an Invitation for Bid stating that the respondent does not wish to submit a bid. It usually operates as a procedural device to prevent debarment from the bidders list for failure to submit bids.

Nonresponsive bid -- A bid that does not conform to the essential requirements of the Invitation for Bids; nonconforming bid, unresponsive bid.

Notice of Intent to Purchase (NIP) -- A formal notification that a purchase will be made. Responses are requested.

Obsolescent -- Becoming obsolete, due usually to technological development

Obsolete -- Out of date; no longer in use.

Offer -- The act of one person that gives another person the legal power to create a contract to which both of them are parties; to perform such an act.

Oligopoly -- A market situation in which a few companies control or dominate the market for a product or service.

Open-account purchase -- A purchase made by a buyer who has established credit with the seller. Payment terms are usually stated to require payment of invoice on or before a specific date or dates; also, to require payment of invoice in full, or less a certain percentage for prompt payment. Such terms are agreed upon between buyer and seller at the time of placing the order or before.

APPENDIX E Continued

DEFINITIONS OF PURCHASING TERMS Continued

Open-end contract -- (1) Term contracting; the establishment of a set price for products delivered over a specified period of time. Fresh fluid milk is often purchased under an open-end contract whereby a fixed cost per half pint is agreed upon for a period of 3 months to a year. Many open-end contracts contain an escalator clause.

Open-market purchase -- A purchase, usually of a limited dollar amount, which is made by buying from any available source as opposed to buying from a bidder who has responded to an invitation for Bids.

Open purchase order -- An order which guarantees a minimum quantity and usually covers a period of time, 4 months or so.

Option -- The acquired right to consider buying or selling something at a fixed price within a specified time.

Option to extend -- See extend, option to.

Option to renew -- A contract clause that allows a party to elect to reinstitute the contract for an additional term.

Order -- A request or command issued to a supplier for goods or services at a specified price.

Order form -- A form by which a supplier is informed of an order.

Order level -- The level of stock of any item at which point an order is initiated for more supplies of that item.

Order record -- A central numerical register of orders issued.

Packing lists -- A document which itemizes in detail the contents of a particular package or shipment.

Pallet -- A frame (usually of wood or stainless steel) on which a product is stacked and which can be moved with the stack.

Patent clearance -- A letter or other formal communication stating that the reporting requirements of the patent rights clause contained in a contract have been complied with by the contractor.

Penalty clause -- A clause in a contract specifying the sum of money to be paid if the contractor defaults on the terms of his contract, particularly in respect to time.

Performance bond -- A contract of guaranty executed subsequent to award by a successful bidder to protect the government from loss due to his inability to complete the contract as agreed. See forfeiture of deposit or bond.

DEFINITIONS OF PURCHASING TERMS Continued

Performance record -- Record to indicate a supplier's ability to keep delivery promises, his reliability, and the consistency of quality of his product.

Performance specification -- A specification setting out performance requirements that have been determined to be necessary for the item involved to perform and last.

Perishable goods -- Goods which are subject to spoilage within a relatively short time.

Personal property -- Everything which is not real property, which is subject to ownership, and which has exchangeable value.

Petty cash -- See imprest funds.

"Polar Stream System" -- A system of using a gaseous atmosphere in trailers and box cars for transporting fresh fruits and vegetables; prevents oxidation.

Political subdivision -- A subdivision of a State which has been delegated certain functions of local government; can include counties, cities, towns, villages, hamlets, boroughs, and parishes.

Preference -- An advantage in consideration for award of a contract granted to a vendor by reason of the vendor's residence, business location, or business classification (e.g., small business).

Prepaid -- A term denoting that transportation charges have been or are to be paid at the point of shipment.

Prequalification of bidders -- The screening of potential vendors in which a government considers such factors as financial capability, reputation, management, etc., in order to develop a list of bidders qualified to bid on government contracts. See bidders list; qualified bidder.

Price -- The amount of money that will purchase definite quantity, weight, or other measure of a commodity.

Price agreement -- A contractual agreement in which a purchaser contracts with a vendor to provide the purchaser's requirements at a predetermined price. Usually it involves a minimum number of units, direct placement of orders by the purchaser to the vendor, and a limited duration of the contract (usually 1 year). See blanket order; requirements contract; term contracting.

DEFINITIONS OF PURCHASING TERMS Continued

Price at the time of delivery -- A term used in sales contracts when market prices are so volatile that a vendor will not give a firm price or use an escalator clause but will only agree to charge the price that he is charging all customers for similar purchases on the day he ships or delivers the goods in question.

Price competition -- The selection of a contractor, from two or more competing firms, based either solely on prices submitted, or on the final prices resulting from negotiation with all competing contractors within a range.

Price control -- The fixing or restricting of prices, especially by a governmental agency.

Price escalation clause -- See escalation clause.

Price fixing -- Agreements among competitors to sell at the same price, to adopt formulas for the computation of selling prices, to maintain specified discounts, to establish lower prices without prior notification to others, or to maintain predetermined price differentials between different quantities, types, or sizes of products. See collusive bidding; corrupt combination, collusion, or conspiracy in restraint of trade.

Price maintenance -- The establishment by a manufacturer or wholesaler of a price for an item below which he will not sell or permit his product to be sold by others.

Price protection -- An agreement between a vendor and a purchaser which grants the purchaser any reduction in price which the vendor may establish on his goods prior to shipment of the purchaser's order. Price protection is sometimes extended for an additional period beyond the date of shipment.

Price rebate -- An allowance on price, usually given after the completion of the contract and most frequently based on some relationship with the business turnover.

Price schedule -- The list of prices applying to varying quantities or kinds of goods.

DEFINITIONS OF PURCHASING TERMS Continued

Price Trend -- The direction in which prices move in relation to trading in the previous reporting period(s).

Higher -- The majority of sales are at prices measurably higher than the previous trading session.

Firm -- Prices are trending higher, but not measurably so.

Steady -- Prices are unchanged from previous trading sessions.

Lower -- Prices for most sales are measurably lower than the previous trading session.

Principal -- One who employs an agent; a person who has authorized another to act on his account and subject to his control.

Priority -- The degree of precedence given to a particular requisition, order, or contract to obtain completion, delivery, or performance on a particular date at the expense, if necessary, of competing demands to the same supplier or facility.

Procurement -- The process of obtaining goods or services, including all activities from the preparation and processing of a requisition, through receipt and approval of the final invoice for payment. The acts of preparing specifications, making the purchase, and administering the contract are involved. See purchasing cycle.

Professional behavior -- See code of ethics; purchasing ethics.

Program -- A scheme of action to accomplish a definitive objective covering a major area of an organization's responsibility.

Proprietary article -- An item made and marketed by a person or persons having the exclusive right to manufacture and sell it.

Proprietary information -- Information or data describing technical processes, tools, or mechanisms that a business wishes to keep from general public view in order to maintain its competitive position in the market. See trade secret.

Proposal -- An offer made by one party to another as a basis for negotiations for entering into a contract.

Proposal evaluation criteria -- Weighted standards, relating to management capability, technical capability, approach in meeting performance requirements, price, and other important factors that are used for evaluating which bidder in a competitive negotiation has made the most advantageous offer.

APPENDIX E Continued

DEFINITIONS OF PURCHASING TERMS Continued

Protest -- A complaint about a governmental administrative action or decision brought by a bidder or vendor to the appropriate administrative section with the intention of achieving a remedial result.

Public -- The people of an area.

Public bid opening -- The process of opening and reading bids, conducted at the time and place specified in the Invitation for Bids or the advertisement and in the view of anyone who wishes to attend. See bid opening.

Public policy -- That which is deemed by courts to be general and well-settled public opinion relating to the duties of men and government.

Public record -- All information about government activities that is available for public inspection.

Purchase order -- A purchaser's document used to formalize a purchase transaction with a vendor. A purchase order, when given to a vendor, should contain statements as to the quantity, description, and price of the goods or services ordered, as well as agreed items for payment, discounts, date of performance, transportation terms, and all other agreements pertinent to the purchase and its execution by the vendor. Acceptance of a purchase order constitutes a contract.

Purchase requisition -- A form used to request the purchasing department to purchase goods or services from vendors.

Purchasing agent -- An administrator whose job includes soliciting bids for purchases and making awards of purchase contracts; buyer.

Purchasing cycle -- The cycle of activities carried out by a purchasing department in the acquisition of goods and services. See procurement.

Purchasing ethics -- Moral principles that apply to the personnel of the purchasing department and all people who are involved in the purchasing process, particularly with respect to the use of government funds and relationships between buyers and sellers. See code of ethics.

Purchasing manual -- A formal collection of instructions relative to procedures to be followed by all parties when making use of or dealing with the purchasing department in procurement actions.

Purchasing official -- The administrative official who most directly oversees the activities of purchasing agents and those other aspects of property management that are joined as separate or subordinate sections under individual administrative control.

DEFINITIONS OF PURCHASING TERMS Continued

Purchasing, public -- The process of obtaining goods and services for public purposes following procedures implemented to protect public funds from being expended extravagantly or capriciously.

Qualified bidder -- A bidder determined by the government to meet minimum set standards of business competence, reputation, financial ability, and product quality for placement on the bidders list. See bidders list; prequalification of bidders.

Qualified products list -- A specification which is developed by evaluating various brands and models of an item and listing those that are determined to be acceptable as the only ones for which bids may be submitted; an approved brands list.

Quality -- Refers to the physical properties affecting market value, such as color, shape, texture, cleanness, and freedom from defects. Quality and condition can be described by the following terms:

Fine -- Superior in appearance, color, and other quality factors; better than good.

Good -- Having a high degree of merchantability and a small percentage of defects.

Fair -- Having a somewhat higher percentage of defects than good or a condition which warrants a price reduction when compared to good.

Ordinary -- Having a fairly high percentage of defects or a heavy degree of off-condition.

Poor -- Having such a heavy percentage of defects or so badly off-condition that it is salable only to buyers interested chiefly in low prices.

Quality assurance -- A planned and systematic series of actions considered necessary to provide adequate confidence that a product that has been purchased meets the purchase specification and will perform satisfactorily in service.

DEFINITIONS OF PURCHASING TERMS Continued

Quality control -- The procedures and policies used to ensure adequate quality of goods produced or received.

Quantity discount -- An allowance determined by the quantity or value of a purchase. See discount.

Quotation -- A statement of price, terms of sale, and description of goods or services offered by a vendor to a prospective purchaser; the stating of the current price of a commodity; the price so stated.

Receiving report -- A form used by a receiving function to inform others, such as the purchasing and accounting departments, of the receipt of goods purchased.

Renegotiation -- Deliberation, discussion, or conference to change or amend the terms of an existing agreement.

Renew, option to -- See option to renew.

Reordering level -- The stock level at which a requisition for the replenishment of the stock should be initiated.

Repudiation of contract -- An unequivocal refusal to perform a contract.

Requirements contract -- A contract in which the vendor agrees to supply all the purchaser's requirements that arise for an item or items within a specified period. See blanket order; open-end contract; price Agreement, term contracting.

Requisition -- An internal document by which a using agency requests the purchasing department to initiate a procurement.

Research and Development (R&D) -- The process by which new products or new product forms are created; preceded production.

Responsible bidder -- A bidder whose reputation, past performance, and business and financial capabilities are such that he would be judged by the appropriate government authority to be capable of satisfying the government's needs for a specific contract.

Responsive bidder -- A bidder whose bid does not vary from the specifications and terms set out by the government in the invitation for Bids.

DEFINITIONS OF PURCHASING TERMS Continued

Restraint of trade -- The effect of contracts or combinations which eliminate or stifle competition, effect a monopoly, artificially maintain prices, or otherwise hamper or obstruct the course of trade and commerce as it would be carried on if left to the control of natural and economic forces.

Restrictive specifications -- Specifications that unnecessarily limit competition by eliminating items that would be capable of satisfactorily meeting actual needs.

Rules and regulations -- Governing precepts and procedures made by an administrative body or agency under legislative authority that sometimes have the force and effect of law.

Salvage -- Property that is no longer useful as a unit in its present condition but has some value in addition to its value as scrap, usually because parts from it may be recovered and reused.

Sample -- See bid sample.

Scheduled purchase -- A purchase for which the bidding procedure is prescheduled so that using agencies' requirements for the period covered by the contract can be gathered and combined for the Invitation for Bids.

Scrap -- Property that has no value except for its basic material content.

Sealed bid -- A bid which has been submitted in a sealed envelope to prevent dissemination of its contents before the deadline for the submission of all bids; usually required by the purchasing authority on major procurement to ensure fair competition among bidders.

Seasonal -- Depending upon the seasons, either climatic or economic, and usually cyclic on an annual basis.

Seasonal rate -- A rate instituted for specified articles or commodities and effective only for certain periods of the year.

Seller's market -- A market condition where demand is greater than supply; sellers can set prices and terms of sale, and prices are high or rising.

Set-a-side -- (1) Supplier agrees to set aside part of a purchase for delivery at a later date. (2) A procedure allocating part of a total requirement to be purchased from a special group of suppliers, i.e., small business, minority firms, firms located in economically deprived areas, etc.

APPENDIX E Continued

DEFINITIONS OF PURCHASING TERMS Continued

Service -- Work performed to meet a demand, especially work that is not connected with manufacturing a product.

Shipping list -- A memorandum listing all items shipped at one time on a given order.

Single-source procurement -- An award for a commodity which can only be purchased from one supplier, usually because of its technological, specialized, or unique character. Also called sole-source procurement. This procedure is not encouraged (see OMB Circular A-102, attachment 0, paragraph 3c(5)(b)).

Single-source supplier or sole-source supplier -- A situation in which only one vendor is considered in awarding a contract. This is generally considered a poor way to purchase. It is acceptable under some circumstances--for example, in an area with only one dairy.

Small business -- A designation necessary for certain statutory purposes, referring to a firm, corporation, or establishment having a small number of employees, low volume of sales, small amount of assets, or limited impact on the market.

Small Business Administration -- A Federal agency created to foster and protect the interests of small business concerns.

Solicitation -- The process of notifying prospective bidders that the government wishes to receive bids on a set of requirements to provide goods or services. The process might consist of public advertising, the mailing of Invitations for Bids, the posting of notices, or telephone calls to prospective bidders.

Sovereign immunity -- The principle which absolves the sovereign (State, city, county) from responding in damages for past injuries to another party.

Specification -- A description of what the purchaser requires and, consequently, what a bidder must offer to be considered for an award.

Specifications committee -- A committee whose purpose is to advise and assist the central purchasing authority in establishing specifications. This committee may also offer advice and assistance in developing standards. See standards committee.

Spot purchase -- (1) A one-time purchase made in the open market out of necessity or to take advantage of a bargain price. (2) Purchasing usually done because of an emergency and normally involving small quantities. It is generally non-competitive and is not on formal or negotiated bid.

DEFINITIONS OF PURCHASING TERMS Continued

Standard -- A characteristic or set of characteristics for an item that, for reasons of quality level, compatibility with other products, etc., is generally accepted by the manufacturers and users of that item as a required characteristic for all items of that sort.

Standard commercial supplies -- Articles which, in the normal course of business, are customarily maintained in stock by a manufacturer or any dealer, distributor, or other commercial dealer for the marketing of such articles.

Standard specification -- A specification established through a standardization process to be used for all or most purchases of the item involved.

Standardization (of specifications) -- The process of examining specifications and needs for items of similar end usage and drawing up one specification that will meet the needs for most or all purchases of that item.

Standards committee -- A committee whose purpose is to advise and assist the central purchasing authority in establishing standards and, in some cases, specifications. See specifications committee.

Standards of Identity -- Official descriptions of processed food products. The standards specify and limit the ingredients used in the product as well as

describe how the product is fabricated; provides a physical description of the product.

Standing order -- See blanket order.

Stock -- A supply of goods maintained on hand in a supply system to meet anticipated demands.

Stock control -- Control of the level of stock by control over the movement of goods into and out of stores (storage).

Stock record -- A record kept of items of materials in stock, usually located at a central point and showing stock level position.

Storage -- The holding of goods in a designated place for safekeeping; a space or a place for the safekeeping of goods.

Subject to Approval of Price or Subject to Price Approval (SAP) -- (1) Tentative agreement pending the approval of the person whose signature is required for the contract. (2) In a long-term contract, some purchases should not be made until market price is reviewed and approved.

Supplemental agreement -- Any contract modification which is accomplished by the mutual action of the parties.

Supplier -- A firm that regularly furnishes needed items to a business or government; a vendor.

DEFINITIONS OF PURCHASING TERMS Continued

Supplies -- Items which are consumed or expended in the course of being used.

Supply/Offering -- The quantity of a particular item available for current trading.

Heavy -- When the volume of supplies is above average for the market being reported.

Moderate -- When the volume of supplies is average for the market being reported.

Light -- When the volume of supplies is below average for the market being reported.

Surplus property -- Inventory not required by one using agency or all using agencies at the present time or in the foreseeable future.

Tabulation of bids -- The recording of bids and bidding data that was submitted in response to a specific invitation; used for comparison, analysis and record-keeping.

Terminal -- A major metropolitan wholesale market, generally for fresh fruits and vegetables.

Term contracting -- A technique in which a source or sources of supply are established for a specified period of time, usually

characterized by an estimated or definite minimum quantity, with the possibility of additional requirements beyond the minimum, all at a predetermined unit price. See blanket order; open-end contract; price agreement; requirements contract.

Terms and conditions -- A phrase generally applied to the rules under which all bids must be submitted and the terms that are included in most purchase contracts; often published by purchasing authorities for the information of all potential bidders.

Terms of payment -- The manner of payment for the goods or services received. Except in cases where there is an unusual exchange or barter agreement, payment is made in negotiable funds in accordance with the terms agreed between the buyer and seller. There are three basic payment terms; cash, open account, and secured account.

Terms payment -- Complete payment is due within 30 days. Some firms provided discounts for early payments, such as 1 percent off if paid within 10 days.

Testing -- A phase of inspection involving the determination by technical means of the physical and chemical properties of items, or compounds thereof, requiring not so much the element of personal judgement as the application of recognized and established scientific principles and procedures.

DEFINITIONS OF PURCHASING TERMS Continued

Title -- This means whereby a person's ownership of property is established.

Token bid -- A perfunctory offer submitted by a bidder with no serious intent of being the lowest bid; usually submitted when the bidder wishes to maintain eligibility for the bidders list or as a collusive device.

Total supply -- A concept of purchasing, the objective of which is to plan in advance and provide for a broad scope of purchasing and purchasing-related activities in order to minimize costs, increase managerial effectiveness, and improve operational efficiency. Total supply is not concerned with ordering but with requirements planning, logistics, and general procurement management.

Trade discount -- A deduction from an established price for items or services, often varying in percentage with volume of transactions. The discount is made by the seller to those engaged in certain businesses and allowed irrespective of the time when payment is made. See discount.

Trade name -- See brand name.

Trade secret -- Any aspect of a business or its operations which is known only to the manufacturer. See proprietary information.

Trademark -- Generally, any sign, symbol, mark, word, or

arrangement of words in the form of a label adopted and used by a manufacturer or distributor to designate his particular goods and which no other person has the legal right to use.

Trade-off analysis -- The process of determining the "best" course of action by weighing the advantages and disadvantages associated with available alternatives. The selected course will usually involve a compromise with some resources (e.g., time) traded-off for another (e.g., money).

Truckload (TL) -- A measure for commodities, usually 40,000 pounds to 46,000 pounds. Standard truckload weights vary with each commodity.

Ultra vires action -- An action which is beyond the power or purpose of a corporation, city, county, or other body, but not an action which is merely performed in an unauthorized manner or without authority.

Undertone -- Situation or sense of direction in an unsettled (prices not established) market situation.

Unit price -- The price of a selected unit of a goods or service (e.g., price per ton, labor hour, foot).

Unit price extension -- The calculation of the total price of goods by multiplying the price per unit by the number of units purchased.

APPENDIX- E Continued

DEFINITIONS OF PURCHASING TERMS Concluded

Unresponsive bid -- See nonresponsive bid.

Unsuccessful bidder -- An offeror whose bid is not accepted for reasons of price, quality, failure to comply with specifications, etc.

Using agency -- A unit of government that requisitions items through central purchasing.

Value -- Intrinsic worth. The amount of money for which goods or services can be exchanged.

Value analysis -- An organized effort directed at analyzing the function of systems, products, specifications and standards, and practices and procedures for the purpose of satisfying the required functions at the lowest total cost of ownership.

Vendor -- A supplier.

Vendor failure -- See default.

Vendor file -- The accumulated record maintained by the central purchasing authority of information relevant to his business relationship with the government, including application for inclusion on the bidders list, record of performance under contracts, correspondence and the results of special-purpose analyses.

Void -- Without legal effect; unenforceable.

Volume purchasing -- See bulk purchasing.

Waiver of bid(s) -- A process, usually statutory, whereby a government purchasing office may procure items without formal bidding procedures because of uniqueness of circumstances related to that procurement action.

Waiver of mistake or informality -- The act of disregarding errors or technical nonconformities in the bid which do not go to the substance of the bid and will not adversely affect the competition between bidders.

Note: The following sources were used in defining key words and terms commonly used in food procurement.

1. State and Local Government Purchasing. The Council of State Government, Lexington Kentucky, March 1975.
2. The Market News Service on Fruits, Vegetables, Ornamentals, and Specialty Crops (Marketing Bulletin No. 61). Agricultural Marketing Service, U.S. Department Agriculture, Washington, D.C., February 1977.

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